



This is a digital copy of a book that was preserved for generations on library shelves before it was carefully scanned by Google as part of a project to make the world's books discoverable online.

It has survived long enough for the copyright to expire and the book to enter the public domain. A public domain book is one that was never subject to copyright or whose legal copyright term has expired. Whether a book is in the public domain may vary country to country. Public domain books are our gateways to the past, representing a wealth of history, culture and knowledge that's often difficult to discover.

Marks, notations and other marginalia present in the original volume will appear in this file - a reminder of this book's long journey from the publisher to a library and finally to you.

Usage guidelines

Google is proud to partner with libraries to digitize public domain materials and make them widely accessible. Public domain books belong to the public and we are merely their custodians. Nevertheless, this work is expensive, so in order to keep providing this resource, we have taken steps to prevent abuse by commercial parties, including placing technical restrictions on automated querying.

We also ask that you:

- + *Make non-commercial use of the files* We designed Google Book Search for use by individuals, and we request that you use these files for personal, non-commercial purposes.
- + *Refrain from automated querying* Do not send automated queries of any sort to Google's system: If you are conducting research on machine translation, optical character recognition or other areas where access to a large amount of text is helpful, please contact us. We encourage the use of public domain materials for these purposes and may be able to help.
- + *Maintain attribution* The Google "watermark" you see on each file is essential for informing people about this project and helping them find additional materials through Google Book Search. Please do not remove it.
- + *Keep it legal* Whatever your use, remember that you are responsible for ensuring that what you are doing is legal. Do not assume that just because we believe a book is in the public domain for users in the United States, that the work is also in the public domain for users in other countries. Whether a book is still in copyright varies from country to country, and we can't offer guidance on whether any specific use of any specific book is allowed. Please do not assume that a book's appearance in Google Book Search means it can be used in any manner anywhere in the world. Copyright infringement liability can be quite severe.

About Google Book Search

Google's mission is to organize the world's information and to make it universally accessible and useful. Google Book Search helps readers discover the world's books while helping authors and publishers reach new audiences. You can search through the full text of this book on the web at <http://books.google.com/>

Y4.C73/7:96-86

✓ AMEND THE INTERNATIONAL TRAVEL ACT OF 1961
AUTHORIZING ADDITIONAL FUNDS

96-2

HEARING

BEFORE THE

SUBCOMMITTEE ON
MERCHANT MARINE AND TOURISM

OF THE

COMMITTEE ON COMMERCE, SCIENCE,
AND TRANSPORTATION
UNITED STATES SENATE

NINETY-SIXTH CONGRESS

SECOND SESSION

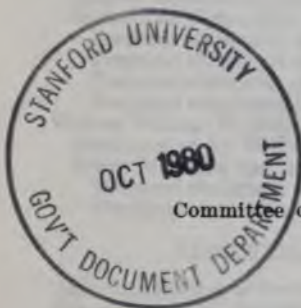
ON

S. 2248

TO AMEND THE INTERNATIONAL TRAVEL ACT OF 1961 TO
AUTHORIZE ADDITIONAL APPROPRIATIONS, AND FOR OTHER
PURPOSES

MARCH 5, 1980

Serial No. 96-86



Printed for the use of the
Committee on Commerce, Science, and Transportation



U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1980

61-317 O

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

HOWARD W. CANNON, Nevada, *Chairman*

WARREN G. MAGNUSON, Washington	BOB PACKWOOD, Oregon
RUSSELL B. LONG, Louisiana	BARRY GOLDWATER, Arizona
ERNEST F. HOLLINGS, South Carolina	HARRISON H. SCHMITT, New Mexico
DANIEL K. INOUE, Hawaii	JOHN C. DANFORTH, Missouri
ADLAI E. STEVENSON, Illinois	NANCY LANDON KASSEBAUM, Kansas
WENDELL H. FORD, Kentucky	LARRY PRESSLER, South Dakota
DONALD W. RIEGLE, Jr., Michigan	JOHN W. WARNER, Virginia
J. JAMES EXON, Nebraska	
HOWELL HEFLIN, Alabama	

AUBREY L. SARVIS, *Staff Director and Chief Counsel*

EDWIN K. HALL, *General Counsel*

JOHN D. HARDY, *Merchant Marine and Tourism Counsel*

WILLIAM M. DIEFENDERFER, *Minority Staff Director*

WARD H. WHITE, *Minority Staff Counsel*

SUBCOMMITTEE ON MERCHANT MARINE AND TOURISM

DANIEL K. INOUE, Hawaii, *Chairman*

WARREN G. MAGNUSON, Washington	JOHN W. WARNER, Virginia
RUSSELL B. LONG, Louisiana	BOB PACKWOOD, Oregon

(II)

CONTENTS

	Page
Opening statement by Senator Inouye	1
Opening statement by Senator Warner.....	3
Text of S. 2248	4
Agency comments: Department of State	6

LIST OF WITNESSES

Biver, Roger P., president, Sun USA, Inc	54
Prepared statement	57
Hodges, Hon. Luther H., Deputy Secretary, Department of Commerce; accompanied by Jeanne R. Westphal, Acting Assistant Secretary for Tourism; and Lee Wells, Acting Deputy Assistant Secretary	6
Questions of the committee and the answers thereto	20
Juliano, Robert E., legislative representative, Hotel and Restaurant Employees and Bartenders International Union, AFL-CIO	35
Prepared statement	37
McCarthy, Joseph, president and chief executive, Quality Inns International, Inc., on behalf of the American Hotel and Motel Association	39
Ratzsch, Karl, Jr., chairman, International Affairs Committee, National Restaurant Association; accompanied by Sheila Bamberger, legislative representative; and Betty Hoyt, research associate	58
Prepared statement	59
Toohey, William D., second vice chairman, president, Discover America Travel Organizations, Inc.; Norman J. Philion, executive vice president, Air Transport Association of America; John De Lorenzi, managing director, international and corporate policy, American Automobile Association; Paul L. Powell, chairman, American Recreation Coalition; Joseph Prendergast, president, American Ski Federation; Robert McGrail, chairman, government affairs, Vice President/Marketing, Quality Inns International, Hotel Sales Management Association; Robert J. Sullivan, past president, International Association of Convention & Visitors Bureaus; Thomas H. Gibson, chairman, legislative committee, National Caves Association; Hank Lindsey, commissioner, Kentucky Department of Tourism, National Council of State Government Travel Offices; George F. Wright, chairman, National Council of Travel Attractions; Charles Gillett, chairman, National Council of Urban Tourism Organizations; W. James Host, executive vice president, National Tour Brokers Association; and Robert Whitley, executive vice president, United States Tour Operations Association:	
Prepared statement of Mr. Toohey	50
Prepared statement of Mr. Philion.....	51
Prepared statement of Mr. Connors	52
Prepared statement of Mr. Gillett	53
Walton, William B., chairman, Travel and Tourism Industry Advisory Council; accompanied by William D. Toohey, second vice chairman; Dan Colussy; Harry Mullikin; and Robert J. Sullivan	22
Prepared statement of Mr. Walton.....	31
Prepared statement of Mr. Colussy	33

ADDITIONAL ARTICLES, LETTERS, AND STATEMENTS

American Society of Travel Agents, statement	67
Frazier, Alton V., director, Utah Travel Council, letter of February 14, 1980	65
Hardiman, James W., public relations manager, Knott's Berry Farm, letter of February 1, 1980	65
Nicol, Frank D., president, San Diego Convention and Visitors Bureau, letter of April 2, 1980	66
Peeper, William C., president, Convention and Visitor Bureau, Hartford, Conn., letter of March 24, 1980	66
Simpson, John G., president, Hawaii Visitors Bureau, letter of February 22, 1980	65

AMEND THE INTERNATIONAL TRAVEL ACT OF 1961

WEDNESDAY, MARCH 5, 1980

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
SUBCOMMITTEE ON MERCHANT MARINE AND TOURISM,
Washington, D.C.

The subcommittee met at 10:20 a.m., in room 235, Russell Senate Office Building, Hon. Daniel K. Inouye (chairman of the subcommittee) presiding.

OPENING STATEMENT BY SENATOR INOUE

Senator INOUE. This morning the subcommittee will hear testimony on S. 2248, a bill introduced by myself and co-sponsored by Senators Cannon, Long, Warner and Javits, which would authorize the United States Travel Service to operate in fiscal year 1981 at the same personnel and funding levels authorized by Congress with unanimous industry support for fiscal year 1980.

Contrary to the unanimous recommendations of the industry, the United States Senate and the USTS itself, the administration's budget, at the insistence of OMB, recommends that the USTS overseas personnel and funding levels be reduced for the coming fiscal year and that those levels be increased in the agency's Washington office.

Although every tourism authority holds that the most effective way for government to promote international tourism is through national tourist offices in other countries, the administration's proposal not only rejects this expertise but it would have us believe that less is more. I have been advised that Mr. Hodges today may have something else to tell us and that the news may be well received by us.

The Department of Commerce has told the Committee that the tourism program it proposes for fiscal 1981, recognizes the economic importance of tourism and therefore would, among other things, do the following:

Be a complete turn-around from last year in that it maintains overseas tourism promotion efforts;

Second, call for a new interagency coordinating committee to ensure tourism interests are considered in federal actions impacting tourism;

Third, at the urging of OMB, restructure the existing Travel Advisory Board which would, among other things, study the need for a quasi-public corporation which would be created by S. 1097.

Inasmuch as the administration's program calls for 20 position reduction in USTS overseas staff and an overseas budget cut of \$500,000 and abolition of the agency's international convention office in Paris, I believe it is understandable that the Committee is less than enthusiastic over the Department's statement that its program represents a complete turn-around from last year. Moreover, the program itself does not represent what USTS believes is the best way to promote international tourism. Rather, it represents the best deal the Department of Commerce could make with OMB.

Initially, OMB, once again proposed elimination of USTS overseas offices. After two appeals, OMB agreed to the proposed program which would reduce overseas staff and funding levels.

In view of the Department's inability to dissuade OMB in this regard, I believe it's also understandable that the Committee looks with some skepticism on the Department's representation that its proposed interagency coordinating council will ensure tourism interests are considered in federal actions impacting tourism.

I believe some history is also relevant on this point. During committee hearings in 1974, the administration witnesses told the committee that representatives of 14 government agencies with tourism responsibilities would sit down and consider their role in officially promoting and providing for tourism and that one outstanding result came out of the discussions: that the various agencies dealing with tourism should meet on a regular basis and in an established forum to coordinate the individual tourism programs.

The administration's witnesses in 1974 went on to say that no federal reorganization was necessary to accommodate tourism because the White House had formed an interagency federal tourism resources board to be chaired by the Secretary of Commerce which would give immediate attention to establishment and coordination of government programs. These efforts, as we all know, never materialized.

It is therefore not surprising that the study done by Arthur D. Little found poor to non-existent interagency coordination in 24 agencies administering 29 programs significantly affecting tourism.

Returning to the present proposal of the Department of Commerce, I also believe that a study by the Department's Travel Advisory Board to determine whether a quasi-public corporation is necessary would be, at best, redundant and therefore a waste of government funds and industry resources. The proposed quasi-public corporation is the result of 6 years of study by this Committee and the tourism industry, and represents the unanimous recommendation of the industry and the unanimous approval of the Senate.

Further, many of the members of the Travel Advisory Board who would be asked to study the proposal participated in the National Tourism Policy Study and recommended S. 1097.

Standing alone, the Department's proposal raises serious questions. Recently, however, additional information came to the Committee's attention which further adds to our disquiet. I would like to quote from a Department of Commerce internal memo which served as a briefing paper for its second appeal to OMB. These are quotes. "We have developed a detailed program which satisfies

congressional concern and which could successfully head off the quasi-public corporation * * * the Travel Advisory Board will have only a weak role."

Today the Committee will hear from the Department of Commerce on their views on S. 2248 and we will also hear the views of the travel industry.

Before doing so, however, I would like to reemphasize that the Committee's legislative priority is the enactment of S. 1097 and the bill under consideration today is merely a stopgap measure in the event the House does not act on S. 1097 in a timely fashion.

Senator Warner.

OPENING STATEMENT BY SENATOR WARNER

Senator WARNER. Mr. Chairman, I just want to make a general observation.

My day started at 8 o'clock this morning in a hearing on the research and development program of the Department of Defense. In a 2-hour period we covered decisions relating to some \$2 billion worth of proposed authorizations for 1981. Now we are going to spend about 2 hours discussing an \$8 million authorization. I frankly think there's a parallel with the clear difference being that with the Department of Defense program there is a full partnership between the Department and the private sector and industry. We do not expend time trying to referee differences in viewpoints between the industry and the Department. Yet I feel sometimes, Mr. Chairman, that with tourism our function is that of refereeing between the viewpoints of industry and government. I would hope that this year we can make some progress in removing that disparity so America can benefit from the enormous potential of tourism.

Thank you, Mr. Chairman.

[The bill and agency comments follow:]

96TH CONGRESS
2D SESSION

S. 2248

To amend the International Travel Act of 1961 to authorize additional appropriations, and for other purposes.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 4 (legislative day, JANUARY 3), 1980

Mr. INOUE (for himself, Mr. CANNON, Mr. WARNER, and Mr. LONG) introduced the following bill; which was read twice and referred to the Committee on Commerce, Science, and Transportation

A BILL

To amend the International Travel Act of 1961 to authorize additional appropriations, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the first sentence of section 6 of the International
4 Travel Act of 1961, as amended (22 U.S.C. 2126) is
5 amended by striking out "and" immediately after "1979;"
6 and inserting immediately before the period at the end there-
7 of the following: "; and (9) \$8,000,000 for the fiscal year
8 ending September 30, 1981".

1 SEC. 2. The International Travel Act of 1961, as
2 amended (22 U.S.C. 2121 et seq.) is further amended by
3 adding at the end thereof the following new section:

4 “SEC. 10. (a) Notwithstanding any other provision of
5 law, the Secretary may not reduce the number of employees
6 of the United States Travel Service in the offices of such
7 Service in foreign countries to a number that is less than the
8 number of authorized employees assigned to such offices in
9 fiscal year 1979.

10 “(b) Notwithstanding any other provision of law, the
11 Secretary may not reduce the amount of funds appropriated
12 pursuant to this Act that are available for obligation to pay
13 for the activities of the offices of the United States Travel
14 Service in foreign countries to an amount that is less than the
15 amount of funds that were available for obligation to pay for
16 the activities of such offices in fiscal year 1979.”.

DEPARTMENT OF STATE,
Washington, D.C., March 13, 1980.

HON. HOWARD W. CANNON,
Chairman, Committee on Commerce, Science, and Transportation, U.S. Senate.

DEAR MR. CHAIRMAN: The Secretary has asked me to reply to your letter of February 22 seeking comments on S. 2248, a bill to amend the International Travel Act of 1961 to authorize additional appropriations, and for other purposes.

The Department of State does not concur with the proposed section 2 of this legislation. The Department believes that, given the Administration's continuing desire to limit overseas personnel levels, it would be inappropriate and inconsistent to legislate a floor for the number of USTS personnel abroad. In effect, such action would exempt the United States Travel Service from the budgetary review and personnel constraints which all other agencies active overseas regularly undergo.

In his memorandum of September 25, 1979 to the heads of Executive Departments and Agencies the President reiterated his concern that the number of U.S. Government personnel in foreign countries is excessive and stressed the need to strengthen the interagency system for controlling overseas employment. Under the circumstances, the Department must record its opposition to legislative proposals which would circumscribe the responsibility of the Executive to determine personnel levels of executive agencies.

In sum, the Department would very much regret seeing a precedent set exempting any single agency from normal scrutiny, in management and policy terms, during a period of rapidly changing foreign policy priorities, and budget constraints. Such an exemption, if accorded to one program, will certainly be sought by and for others, with unpredictable consequences for the President's authority over government operations.

The Office of Management and Budget advises that from the standpoint of the Administration's program there is no objection to the submission of this report, and that the adoption of this provision would not be consistent with the program of the President.

Sincerely,

J. BRIAN ATWOOD,
*Assistant Secretary for
Congressional Relations.*

Senator INOUE. Thank you very much, and we will do what you have just suggested, sir.

Our first witness is a good friend of this Committee. He's the Deputy Secretary of the Department of Commerce, the Honorable Luther H. Hodges. Mr. Secretary.

STATEMENT OF HON. LUTHER H. HODGES, DEPUTY SECRETARY, DEPARTMENT OF COMMERCE; ACCOMPANIED BY JEANNE R. WESTPHAL, ACTING ASSISTANT SECRETARY FOR TOURISM; AND LEE WELLS, ACTING DEPUTY ASSISTANT SECRETARY

Mr. HODGES. Thank you, Mr. Chairman. I have with me Ms. Jeanne Westphal, the Acting Assistant Secretary; and Lee Wells, the Acting Deputy Assistant Secretary.

I would like to thank you for the opportunity to testify for the administration before your subcommittee on S. 2248, a bill to extend the United States Travel Service through the fiscal year 1981 at a level consistent with fiscal year 1980.

You raised a number of points in your introduction and my prepared remarks will address many of them. I do believe, however, there is much misunderstanding and I would welcome later your very specific questions as to the serious differences that you feel exist. I, for one, feel that the tourism industry, Senator Warner, and the Department of Commerce work very well together and I have never heard from a member of the private sector to the contrary.

Senator INOUE. May I interrupt at this point, Mr. Secretary? I'm glad to hear that the Department has worked very closely with the industry.

In coming up with the proposal before us, the 1981 budget which calls for a reduction in staff and funding level overseas, did you confer with the industry on this?

Mr. HODGES. Yes, sir.

Senator INOUE. And did industry agree with that?

Mr. HODGES. We don't—I don't think the world operates such that we can find agreement between everybody all the time, and as you point out, there are various points of view. I think we have a good program and my point was that the industry's support of the Department's efforts has been positive and I have not heard to the contrary and the comments that come to me from the industry have been very positive.

Senator INOUE. I'm just curious because on this specific aspect, the reduction of personnel and funding levels which in effect will wipe out the activities there, I was under the impression that the industry was opposed to this.

Mr. HODGES. Well, I would certainly think that would be true and in my remarks I will address the question in that we are working to make certain that we don't have a reduction, that if it is, it is minimized, and that our efforts are directed towards furthering the tourism effort and that we are making progress, as I've told you on many occasions.

Senator INOUE. I don't want to nit-pick, but can you tell us who you conferred with on this aspect?

Mr. HODGES. In the industry?

Senator INOUE. Yes.

Ms. WESTPHAL. Mr. Chairman, in preparing the 1981 budget, we took into consideration what the industry wanted and also what you have expressed. We prepared our budget along those lines and we submitted them to the OMB. As you know, in preparing that type of information and in submitting the budget, this is information that we cannot discuss. It is information that is in the executive branch where we must work out the budget and we submit our recommendations and we have to wait for OMB to give us the final approval.

We did take into consideration what the industry wanted in preparing our 1981 budget.

Mr. HODGES. May we come back to the total discussion? I most sincerely want to express the appreciation for your efforts, sir, and support in improving the federal activities in tourism and this Committee's efforts.

The tourism issue has received considerable attention in the Department of Commerce and the Administration. I would say that numerous hours have been invested in this issue by the Secretary of Commerce, by myself as Acting Secretary for a period and Deputy Secretary, by the Assistant Secretary for Congressional Affairs, the Assistant Secretary for Administration, the Acting Assistant Secretary for Tourism, and many senior White House aides, advisers, the Department of Commerce and OMB employees at all levels; and I believe this time was invested not only because of the importance of the travel industry but because of your personal

leadership and determination on this issue and the wisdom and value of your advice to the executive branch.

I think it's fair to say that few issues in the Department have received as much of my personal time and attention as those of ensuring an appropriate federal role in tourism and I most sincerely want to take this opportunity to formally thank you on the record for your counsel, and I personally and the whole executive branch have benefitted.

I would also emphasize Secretary Klutznick's personal interest in the tourism effort as he expressed it personally to the House caucus a few weeks ago.

Mr. Chairman, we are well aware of your conviction that an ongoing federal tourism program must be maintained through passage of this bill. At the same time, we believe that we have a proposal that is worthy of your consideration. The Administration's views on tourism have evolved considerably in this last year. The Administration's budget proposal for tourism in fiscal year 1981 recognizes the economic, political and social importance of tourism. It represents a substantial revision of our position in the 1980 budget in that it would strengthen our federal tourism promotion efforts abroad. This year we are asking the Congress to authorize \$8.5 million and 75 employees to carry out the federal tourism role. We are proposing to improve the Federal Government's activity in the area of tourism by transferring that activity to the recently organized International Trade Administration.

We propose to make the tourism program part of our trade development effort under the direction of the new Under Secretary for Trade. It is logical and sensible to treat tourism, which is a major earner of foreign exchange, as an integral part of foreign trade. Tourism is already treated as an export item in our U.S. international transactions accounting. U.S. sellers of travel services confront many of the same impediments abroad as sellers of merchandise. U.S. trade policy should not be developed independent of our national tourism policy.

The President's newly approved trade reorganization assigns ITA extensive new functions in support of trade development. On April 1, 1980, the Commerce Department will assume responsibility from the State Department for 162 commercial attaches and 487 local national employees in 65 countries. It is the job of these employees to help American businessmen to compete effectively in the world market. We will begin planning a more active overseas tourism development program with Foreign Commercial Service support. As part of this effort, we will emphasize to the attaches and local national employees the importance of tourism development, especially in those foreign markets with high potential for sending visitors to the United States.

The CHAIRMAN. Let me ask you there, why was it like pulling teeth to get that kind of transfer so these people are really over where they ought to be?

Mr. HODGES. We have been trying for 20 years I believe, and I think it was significant that it was accomplished in this administration and we look forward to the new responsibilities.

The CHAIRMAN. Of course, the Department of Commerce originally opposed the administration's position.

Mr. HODGES. The original position in the Department of Commerce?

The CHAIRMAN. To the transfer and establishment of this agency, of this group of people over in the Department of Commerce for tourism specifically.

Mr. HODGES. They have been opposed by some people and it certainly was opposed by some departments of the government, and in the interagency process in this instance the right decision was reached.

The CHAIRMAN. Well, here's a copy of the appeal of the Department of Commerce's 1981 budget where they appealed the decision and said that it couldn't be done. It says, "In addition, commercial officers abroad would not only be taxed with export commercial activities but they would also play some role in multinational trade negotiation monitoring, antidumping, countervailing duties and enforcement, and possibly NOAA and other activities." In other words, the Department was taking an opposite position.

Mr. HODGES. Not to the fact of transferring the people to the Department. The Department raised the question as to the burden on those people and that appeal related to administrative support for the commercial attaches and just how many people and dollars would be transferred from the State Department.

DEPARTMENT OF COMMERCE
1981 Budget

Program Appeals
(\$ in Millions)

Industry and Trade Administration
Tourism (0611-41)

	1980	1981	1982	1983	1984	1985
	Allow.	Appeal	Recom.	Allow.	Appeal	Recom.
Budget Authority.....	...	...	...	...	...	...
Outlays.....	...	...	...	...	...	...
FY employment.....	...	...	...	...	...	...
Total employment.....	...	...	...	...	...	...

Significant Factors in Support of Appeal: This appeal for \$6,500,000 and 45 positions for continued overseas tourism marketing support is based on the specific needs expressed by the industry, regions, states and cities involved in international tourism. In FY 1980 the Administration's position, which is the same as recommended for FY 1981, received no congressional support and was overruled by Congress to maintain the overseas regional office operations and reduce the staff in Washington. To present to Congress a proposed budget without the overseas support operations for FY 1981 will tend to further antagonize the congressional leadership, local government officials and members of the tourism industry since it is contrary to their expressed needs. In addition, the recently organized tourism caucus, comprised of more than 115 members of the House, was established in recognition of the importance of tourism in the U.S. and to ensure that tourism interests are fairly represented.

The commercial work performed presently overseas by State Department Foreign Service Officers amounts to about 260 person years by personnel classified as commercial officers and economic/commercial officers. Since the Department of Commerce has been given the responsibility for non-agriculture commercial functions abroad, the 162 commercial officers who will transfer to Commerce next year, will perform their responsibilities with effectively 100 less person-years than have been available in the past. In addition, commercial officers abroad will not only be tasked with export promotion activities, but they will also play some role in Multilateral Trade Negotiation monitoring, antidumping/countervailing duties enforcement and, possibly, NOAA and other activities.

Considering that the responsibility of the commercial service is intended to be elevated while its numbers are reduced and activities increased, the new Commercial Foreign Service Officers cannot provide adequate attention to tourism. Taking these factors into consideration, the current minimum tourism marketing activity now being carried out by the USTS regional marketing staff in the six major tourism producing countries and the nine other selected markets cannot be given the priority it deserves as an income producing activity.

Tourism has been identified as the 4th most important export with only motor vehicles and parts; electrical equipment; and grain and cereal preparations ranking above it. In 1978, it generated \$8.5 billion in foreign earnings, which in using the common trade multiplier of 3.3, means that the economic impact of total foreign tourist spending in the U.S. would equal a \$28 billion contribution to the U.S. economy. These receipts also helped to support some 277,000 jobs and contributed close to 1.1 billion dollars in federal, state, and local tax receipts during 1978. That is one job for every \$10,000 spent on tourism and 13 cents of every tourist dollar going for tax revenue.

Therefore in recognition of the economic importance of international tourism, and its significant impact on creating jobs in such a labor intensive industry, it is vital that the \$6.5 million dollars requested in this appeal be approved to continue the overseas marketing activities under the Department's new overseas commercial responsibilities to support the efforts of the regions, states, cities and private sector as requested by them.

Recommendation:

The CHAIRMAN. Well, let me read you the next paragraph then. This, incidentally, is your own Department's appeal. "Considering that the responsibility of the Foreign Commercial Service is intended to be elevated while its numbers are reduced and activities increased, the new Commercial Foreign Service officers cannot provide adequate attention to tourism. Taking these factors into consideration, the current minimum tourism marketing activity now being carried out by the USTS regional marketing staff in the six major tourism producing countries and the nine other selected markets cannot be given the priority it deserves as an income producing activity."

Mr. HODGES. I think that is an argument in favor of people abroad for the United States Travel Service and I think it's an argument that you would have had us advance and you will always find those kind of negotiations in a budgetary process.

The CHAIRMAN. Thank you, Mr. Chairman.

Mr. HODGES. I had referred to the new employees that were transferring to the Department of Commerce. In light of the comments and questions, I would say it's never enough, but in these days we are trying to do with as few people as possible. It is the job of those employees, however many, to help American businessmen and women to compete more effectively in the world market and we will begin planning an active overseas tourism development program with Foreign Commercial Service support. As part of this effort, we will emphasize to the attaches and foreign national employees the importance of tourism development, especially in those very specific foreign markets with high potential for sending visitors to the United States.

Training programs that focus on the travel industry will be developed to ensure that our new responsibilities are carried out effectively. We recognize, of course, the concerns of the Foreign Commercial Service, as you have enumerated, are numerous and tourism would only be one of those many concerns. Holding this in mind, we will examine carefully our budget resources to ensure that these complementary programs are capable of assisting in realizing the potential of our tourism industry.

In essence, we look at tourism as an export and as a trade function. We feel that by giving tourism a high priority within the total program carried out by ITA, we can better coordinate the tourism functions with the Department's total trade responsibilities.

Although tourism is an export, it also has important socio-economic consequences and unique operating characteristics which merit attention. Specifically, tourism is highly seasonal contributing three times more foreign visitors to the U.S. in the peak summer months than in the winter months. This phenomenon has implications for the labor force, the environment, the residents of our host communities, and for the economic development process. We believe that the Federal Government has a responsibility not only to promote tourism but to encourage it to grow in a more orderly and balanced manner.

For these reasons, we are proposing a federal tourism program which will coordinate federal programs and policies affecting tourism; provide a solid data and analytical base for assessing develop-

ments in the tourism industry; and one which will place more emphasis on reaching out to U.S. states, local governments, and the private sector to help them take advantage of international tourism development opportunities. We plan to restructure the existing Travel Advisory Board by providing a permanent staff which will enable this group to have a more active involvement in tourism policy development. In addition, an interagency tourism coordinating committee chaired by the Secretary of Commerce will be established to ensure that the national tourism interest is considered in all federal actions affecting tourism and that tourism-related facts, issues and concerns are communicated to government policymaking officials. To us, all these steps seem not only essential but urgent, and we ask that this Subcommittee give them careful and thoughtful consideration.

Mr. Chairman, that concludes my prepared statement. I will be happy to answer as many questions as possible. I might be so presumptuous as to anticipate a question or to respond somewhat to your introductory remarks or to a portion of them; namely, the questions surrounding the 20 people in the overseas complement, people which the administration is not specifically requesting for the overseas offices in fiscal 1981. I do recall telling you informally that our complement would remain the same. Indeed, I do not believe that less is better, but I do believe that you're well aware of the administration's concern for overall overseas employment.

I am now convinced that this concern is not focused on tourism specifically; rather, on the overall view of trade and tourism overseas personnel it was assumed that we could accomplish some reduction. We all want to hold federal employment down and we shall do that within the Commerce Department and we shall work out a way to handle effectively our tourism responsibilities as I have just described them to you.

I am assured that any reductions are not a mandate to cut tourism itself, only to accomplish some reductions overseas if possible, and basically to more effectively manage the Department of Commerce, and that we will do.

With that understanding with the administration we will accomplish some reductions in our work force, but this cut is not directed at tourism itself and there is an environment where we can continue our tourism efforts at least at this level, the current level, and hopefully it will continue to improve.

Senator INOUE. Does that mean that the 20 positions which were scheduled to be terminated will not be terminated?

Mr. HODGES. I believe that it means that we are going to have to cut 20 people, just like we are being asked today to cut the operating budget in order to try to balance the budget. We are going to cut 20 people somewhere. I'm saying it doesn't have to be in tourism; it doesn't have to be out of those offices or it doesn't have to be the existing complement; that if we can find other ways, that there is the opportunity to work with OMB to accomplish it that way.

Senator INOUE. Then will the convention office in Paris be kept open?

Mr. HODGES. I'll let Ms. Westphal answer that. I think those judgments should be made as to what is the most effective use of

the people so that the total of 75 people who still keep open those things are most productive.

Ms. WESTPHAL. Mr. Chairman, with the International Congress Office, we are doing an evaluation of that office. As you know, last year we put in a new director of that office. We also changed the workings of that office as far as the types of associations that would be contacted. It would be I think to our best interest to evaluate that program to be sure that we are spending our funds in the correct manner. The International Congress Office has been certainly of great interest I know to this Committee and we certainly would like to continue a program that does produce tourists and certainly earnings for the United States, but we are planning to evaluate it.

In addition, we certainly would want to keep it open. We want to keep our present complement overseas, but again, we are planning to evaluate all of our programs overseas to be sure that we are using our human resources and financial resources in the best manner.

Senator INOUE. Miss Westphal, I thank you very much. I recall that last year in a similar hearing you advised the Committee that the so-called cost-benefit ratio of these overseas operations came out to 1 to 18. For each American tax dollar expended overseas, we returned \$18. Has it dropped so drastically that you have to evaluate it now?

Ms. WESTPHAL. Mr. Chairman, the ratio that we figured out last year I believe was based on money that we spent for tour development which was \$607,000. Certainly with what has happened in the last year, there are more tourists coming, but I do feel from a management point of view it is important to evaluate the programs at the end of the fiscal year and that's why we plan to evaluate this program again just to be sure we are spending our money in the best way.

Senator INOUE. What do you think the ratio is now?

Ms. WESTPHAL. I do not know, Senator. This year we have spent less money on tour development, which is the way that we can really evaluate how that money is spent and the return we get on it, but I would be happy to supply the information.

The following information was subsequently received for the record:]

The \$18.6 to \$1 ratio cited last year was a figure developed by computation over the 4-year period from 1974 through 1977. It was computed by dividing the spending of foreign visitors reported from tour development, convention and incentive travel programs by the USTS budget for the period. Adding 1978 data to the totals and computing a revised ratio for the 5-year period 1974-1978, gives a revised ratio of \$22.5 dollars of foreign exchange earnings for each budget dollar.

Senator INOUE. Mr. Secretary, what is the present status of the Assistant Secretary of Commerce for Tourism?

Mr. HODGES. The present status is that it's an Acting Assistant Secretary under the current legislation. Talking organizationally, and these decisions have not been officially reached, but we feel that the United States Travel Service would be an organizational unit reporting to the Under Secretary of International Trade. We have talked in terms of the Director General of that Service or Director of that Service reporting directly at a comparable level to

the Director of the Foreign Commercial Service—comparable levels in the number of organizational units.

Senator INOUE. Is there a move to abolish this office?

Mr. HODGES. There was a move sometime ago, as you know, to abolish the office, and your leadership and some logic has turned that issue around. There are those of us, as you point out, who believe the value of the tourism dollar has produced a great return—probably the most productive—I don't know whether it's 1 to 18 or what it is—but one of the most productive investments the U.S. Government could make. I agree with Miss Westphal totally that it's still our job to manage it more effectively and to bring others up to increase the productivity. But given the administration's position as I have outlined, we would like to see the organizational unit report to the Under Secretary of Trade. It does not need to be at the level of Assistant Secretary, given the scope, but it's part of this unit and I think there it becomes a more effective member of an overall trade-tourism development international operation and has more access to the Secretary and Deputy Secretary and has more clout. It doesn't have to have an Assistant Secretary's designation to accomplish that.

Senator INOUE. You mean a Director General will have greater access to the Secretary of Commerce than an Assistant Secretary?

Mr. HODGES. A Director General would have greater access to the Under Secretary and would have more top level attention that way than might have been true in the past.

Senator INOUE. Would this Committee be justified in assuming that with this change in title the interest of the Department in tourism has been downgraded?

Mr. HODGES. I do not personally agree with that. You are aware of the overall efforts, as I say, to reduce employment levels or hold them the same, to reduce overhead in any way it can be done. The title itself was not considered to be as significant under this organizational scenario as in the past. I don't believe that the title itself is as important as the effectiveness of the program and the ability to be a part of a bigger effort, namely, international trade.

Senator INOUE. I'm certain you are sincere about that, sir, but if you will discuss that with your colleagues, those titles make a big difference.

Mr. HODGES. Well, I understand that, but I am very sincere about that particular point.

Senator INOUE. USTS has informed this Committee that the Travel Advisory Board will study the issue of the quasi-public corporation. I'd like to ask, have you set aside monies for this study? Have you set up a timetable? If this study is going through, when can we expect some action or is this just another stall?

Ms. WESTPHAL. It was decided, and put in our budget submission, that we would restructure our Travel Advisory Board and among certain of the issues that they would look into would be the quasi-public corporation, and this was in the fiscal 1981 budget. In that budget we are recommending a staff that would be able to assist the TAB because as you know in the past the TAB has had no support in that regard, and also we certainly would budget some funds that could be used in carrying out this and other issues that the TAB should study.

Senator INOUE. Some funds—\$1,000, \$10,000, \$100,000?

Ms. WESTPHAL. It would be in the range of \$10,000 to \$15,000 for all studies.

Senator INOUE. We—when I say “we,” I’m talking about the U.S. Senate—I believe we spent about \$200,000 plus over a period of six years resulting in S. 1097 which passed the Senate unanimously. Are you suggesting by this new decision that our study was inappropriate, inadequate, and not meaningful?

Ms. WESTPHAL. No, Mr. Chairman, not at all. The reason why we are including this in what we would like to do in fiscal 1981 is because during some discussions with members of the House, they felt that it would be wise to look into how the new quasi-public corporation could be brought into the way the Federal Government is presently doing things. Certainly we would be using your study to help guide us. I think it’s important for us to find out how a quasi-public corporation could work within the federal system more effectively for tourism.

Senator INOUE. Isn’t it true that the Department urged the House to take that position?

Ms. WESTPHAL. Not to my knowledge.

Senator INOUE. Well, I hope you could come out with a meaningful study with part-time staff and \$15,000.

Mr. HODGES. That was in fiscal 1981 and a review, as Ms. Westphal has outlined. I think it is fair to say that, in my opinion, a quasi-public corporation would be an approach that would have more support at a time when the Administration is saying that it—or seems to be saying that it wants to eliminate the federal presence in the tourism business and cutting a budget and having a budget of \$3 million. I do not think when the administration is telling you and asking for \$8.5 million, which in our proposal is some dollars more than we have under consideration at the moment, and giving you assurances and commitments and determination and leadership, that it’s the same—I don’t think it’s the same environment at all.

Senator INOUE. How much money is allocated in the USTS’s proposed budget to support this restructured Travel Advisory Board?

Ms. WESTPHAL. We would like to provide that for the record, Mr. Chairman.¹

Senator INOUE. You have nothing set aside for that?

Ms. WESTPHAL. For the restructured TAB?

Senator INOUE. Yes. Can you give us a ballpark figure? I just want to know how important the Board is to the USTS.

Ms. WESTPHAL. We are anticipating a staff of five persons.

Senator INOUE. Part-time?

Ms. WESTPHAL. No, full-time. Approximately \$200,000 is a ballpark figure.

Senator INOUE. For the Board?

Ms. WESTPHAL. Yes, sir.

Senator INOUE. I have many other questions, but at this time I’d like to yield to my distinguished colleague, Senator Warner.

Senator WARNER. Thank you very much.

¹ USTS has informed the committee that \$217,000 has been budgeted.

In your statement, Secretary Hodges, you argue that the administration's 1981 budget proposal would strengthen our federal tourism promotion efforts abroad.

Please describe how moving 20 positions to Washington and reducing the budget for overseas offices by a half a million dollars will strengthen our tourism efforts abroad?

Mr. HODGES. Through coordination of the tourism effort with the overall international trade effort. I pointed out that we view trade and tourism as complementary activities and we are gaining 162 commercial attaches and 487 foreign nationals abroad. Now they will have, as you pointed out in an earlier question, considerable other responsibilities, but we feel that through training programs and coordination and attention and continuation of the existing overseas offices, that we can get the job done and that it will be a better program in 1981 than it was in 1979 or 1980.

Senator WARNER. What will be the relationship of the USTS professionals in the six foreign offices with the commercial officers?

Mr. HODGES. We are going to be developing—and I can't tell you the exact relationship when the commercial attaches come under our jurisdiction on April 1, 1980 and we are working with them—beginning to work with them to develop their salesmanship, if you will, outlining the new program and doing a whole lot of things. In the six existing offices, there will be a close relationship. They are going to be working for the same boss. In other countries where the tourism effort is particularly relevant, which is hardly 62—more like 20—there will be a major relationship. I can't describe that to you now. We are talking about 1981 and I would like to be able to come back to you as we evolve a program that very specifically gives you a job description, but we haven't written those job descriptions.

Senator WARNER. Do you intend to hire professionals in tourism promotion or foreign trade and development?

Mr. HODGES. Certainly for what complement there is specifically designated for tourism abroad, there will be tourism professionals where otherwise they will be what I would say is good intelligent, aggressive people who understand the business.

Senator WARNER. How will the tourism program that you have outlined today provide greater assistance to the states and the cities and to the private sector?

Mr. HODGES. I think the Washington effort will continue as a coordinating role to be certain that the private sector and the states carry on their very aggressive and more specific domestic activities. They are the ones that have been doing such a very good job, as you well know. Tourism in your state and my state is a leading industry and it's mighty important.

Senator WARNER. Mr. Chairman, I hope someone from the Department will remain to hear the statements given by the panel that will soon be testifying.

On the positive side, Mr. Chairman, I'd just like to report on a matter not related to tourism but which is relevant. I met one of the senior executives of a large American industry recently who had high praise for Secretary Hodges individually and the fact that he was going to accompany him on a trip to help the United States of America get a foreign contract. Perhaps Secretary Hodges, you

know the trip of which I speak. Certainly that type of activity is a positive one for your Department and I want to compliment you.

Mr. HODGES. Thank you, and I hope that's the kind of work with the private sector that I think is our job. I think the United States needs to get out and sell more and the government can help and in that instance or on anything related to tourism we're going to do—maybe not everything you want, but a lot better than we have done before.

Senator WARNER. Thank you, Mr. Chairman.

Senator INOUE. Thank you.

Did the United States Travel Service file comments with the Department of Energy on the proposed standby federal conservation plan or the standby gasoline rationing plan?

Mr. HODGES. Yes, sir.

Senator INOUE. On both of these?

Mr. HODGES. Yes, sir. I'll let someone else answer that.

Ms. WESTPHAL. We submitted our comments to the Department. We were requested by the Department to give our views on the standby gasoline plan rationing which we sent up on December 28, and that in turn was incorporated in the Department's comments which were sent to OMB.

Senator INOUE. You submitted your comments to the Department of Commerce?

Ms. WESTPHAL. Commerce, yes, sir.

Senator INOUE. But did you submit any comments to the Department of Energy as they were formulating this standby gasoline rationing?

Ms. WESTPHAL. We were in constant contact with them, but the procedure is that the legislation is distributed to all departments for their comments and then we are to give our comments on a department basis.

Senator INOUE. Can you tell us the position taken by the Department of Commerce on the matter of standby gasoline rationing? I think it's a matter of great interest to a lot of tourist interests, especially motels and hotels.

Ms. WESTPHAL. In the letter that we sent to Mr. McIntyre, Director of OMB, regarding tourism, the paragraph reads:

Additionally, the proposed plan does not provide for the motor vehicle fuel needs of foreign visitors traveling in their personal foreign registered vehicles in the United States. This is of more immediate concern to this Department by reason of responsibilities under the International Travel Act of 1961 as amended. We request that a policy statement be included in the final plan indicating that provisions be made for foreign travelers. We note that historic consumption levels by state will include amounts attributable to out-of-state and out-of-country vehicles. It then follows that an appropriate portion of these amounts be made available for tourism purposes. We recognize that tourists can be covered under Section 570.34(b), but we seek a definitive policy statement of intent so that gasoline will be available in each state for both out-of-state and out-of-country tourists.

Senator INOUE. Did OMB adopt this in its referral to the Department of Energy?

Ms. WESTPHAL. I do not know. I believe they did not and there is another paper circulating at this point which we have been asked to comment on.

Senator INOUE. Actually, they completely disregarded you, didn't they?

Ms. WESTPHAL. Yes, sir.

Senator INOUE. So as far as OMB is concerned, tourism once again would be considered non-essential as far as gasoline distribution is concerned?

Mr. HODGES. I don't think that necessarily applies all the time in the future. It would seem from that particular instance that they did not respond, but I think that's a separate issue.

Senator INOUE. Well, I hope you're correct because I somehow have the strange feeling, *déjà vu*, because it wasn't too long ago I recall another agency in another time in another administration declaring tourism to be non-essential. I also recall that as a result of that decision in about 6 months 20 percent of our motels went bankrupt. It affected hundreds thousands of Americans who lost their jobs.

Mr. HODGES. Mr. Chairman, I just make—and many of my responses to you are subjective—I admit we are dealing with the future and we are dealing with change. I made the comment about the importance of tourism, but I understand from my home state, though it's not the dimension of your state, but I understand the importance of it. There's another man named Hodges who started this business a long time ago who was the Secretary of Commerce. I think it's important and I don't think it's necessarily as far as the last administration or last year, because there is a different attitude. Fortunately, people can change.

Senator INOUE. I'd like to, if I may, because of the restriction in time, submit the remainder of my questions to you for your response. Some of them are highly technical so it might require additional time. So with that, Mr. Secretary, I realize that you're in a difficult position and we have discussed this matter privately on many occasions. I am thoroughly convinced of your sincerity and your support of this endeavor, but I'm also fully aware that the administration has its problems. You have limited dollars and that's the name of the game, but I would hope that in the struggle for an appropriate share of the limited dollars this industry, which I think is a big money-maker, is given its proper recognition. Otherwise, for some strange reason, we will be taking a position which happens to be contrary with all the other countries. We're wiping out overseas offices when the Russians have just increased theirs by one more, from 25 to 26. All other European countries are increasing their overseas activities and we are wiping ours out. All other countries are increasing their appropriations on tourist promotion. We are cutting down ours. It just doesn't make sense. This is good money waiting to be plucked.

Mr. HODGES. Mr. Chairman, as you know, I agree with that statement completely. I would like to say to you I do not feel that I am in a difficult position other than the fact that there are always tradeoffs in budgetary matters and none of that is easy, but based on my more recent conversations within the administration I feel much better than I ever have. You would be interested to know that within the last 30 days I have visited with the Minister of Tourism in France and Great Britain. I know exactly what they are doing and the size of their budgets with 50 offices of the British Tourist Offices around the world and some 26.5 million dollars or 13.8 million pounds in the budget, I believe. It is good money and

they have taken a different approach, but we are now recognizing there is a role for the Federal Government in this business and with the dramatic efforts of our private sector, which is far greater than the other countries—but there is a federal role and I think that was questioned by some in the past but I don't believe it is now.

Senator INOUE. I think you used one word that struck a familiar note. You met with the Minister of Tourism.

Mr. HODGES. Yes, sir.

Senator INOUE. All these countries give appropriate titles to their people.

Mr. HODGES. I went to see them and told them I was a Minister of Tourism and I felt like I was. Given the differences in the budget in the scope of their activities, there is a reason for there being a Minister of Sports, Youth and Leisure, I believe, in France. I don't know that we are going to get to that in this country, but I consider myself Secretary of Tourism.

Senator INOUE. You see, we have a real problem competing with these people because they know the name of the game. They not only support tourism; they actually subsidize it. We are the only ones, for example, that have privately owned airlines. I believe there's one other little country that has privately owned airlines. All the others are subsidized by the government, and yet we are supposed to compete with them as we do with other privately owned companies. I think the little that we do should be continued. I hope that the administration will not fail us and I, for one, get a bit distressed when an agency that can come out with a \$1 to \$18 cost-benefit ratio now tells us that little group must be reevaluated to determine whether they should exist or not. You can check any other agency in this government and you would be fortunate if you came out with a cost benefit ratio of \$1 to \$2. I don't care what activity it is.

Mr. HODGES. I understand that. We are trying to increase it. We are talking about \$8.5 million and increasing the budget and we know it's a good expenditure. I said that the evaluation would relate to opening or closing of any specific facility and I think that should be done regularly for any kind of operation, no matter how cost effective it may be, because there may be a more cost effective means of doing something in that same field.

I was in the tourism show in Paris last week, worldwide, and the United States had the most effective displays it had ever had—more people. We are doing a better job in that facility and—

Senator INOUE. But the administration was prepared to, if it weren't for opposition, wipe out the Paris office on conventions without any reevaluation study.

Mr. HODGES. The administration was prepared to do a lot of things in the past and has changed, including Mr. Warner's defense budget.

Senator INOUE. Once again—

Senator WARNER. Could you tell us from your personal knowledge whether the President has spent any time on this tourism issues?

Senator INOUE. I can answer that. He has spent much time on this.

Senator WARNER. The President has? Do you wish to add to that?

Mr. HODGES. I know he's visited with Senator Inouye and others on the subject. I cannot say that I have discussed this with him personally. I think he initially focused more on overseas employment and the role of the private sector and I think his advisers have been convinced of the federal role and that's why I'm speaking as enthusiastically as I am.

Senator INOUE. Thank you, Mr. Secretary. I thank you, Miss Westphal, also.

[The following information was subsequently received for the record.]

QUESTIONS OF THE COMMITTEE AND THE ANSWERS THERETO

U.S. TRAVEL SERVICE

Question. USTS has told the Committee that even though it would have to reduce its overseas staff by 20, it could turn around and rehire these same personnel on a contract basis if needed.

In order to rehire any of them, however, in each case the USTS overseas office would have to have the approval of the U.S. Ambassador in the particular country plus the approval of the Department of Commerce in Washington.

Aside from any difficulty in obtaining approval from these two sources, the budgets of the overseas offices have been cut a total of \$500,000, so there would also be a question of funds being available.

Do you believe therefore it is realistic to expect that any of the overseas offices would be successful in rehiring these personnel?

Answer. In checking with OMB, we have learned that the services of the 20 personnel who are proposed for reduction could not be obtained through contract since this would violate administrative ground rules specifying that personnel ceilings are not to be circumvented through the use of contracts. However, we have reexamined the personnel reduction in context of the total Departmental ceiling and in discussions with the Office of Management and Budget have reached agreement to maintain the current level of 45 positions abroad for USTS in fiscal year 1981.

Question. The Department of Commerce has said that as part of its program "the existing Travel Advisory Board (TAB) will be supplemented by a permanent staff and that the Board will be responsible for evaluating the effect on tourism of Federal legislation, regulations, policies and programs, and alerting the Secretary of Commerce to critical issues which call for Federal action or coordination."

In response to a Committee staff inquiry, USTS said that the staff assigned to the TAB will be five people on a part-time basis because "there won't be enough work to keep them busy full time."

Moreover, the Department's own internal memo says OMB envisions a "weak TAB."

(a) Inasmuch as the National Tourism Policy Study identified over 100 programs and 50 agencies affecting tourism, is it realistic to expect a part-time staff of five and a TAB which consists of busy executives who meet about four times a year in an advisory capacity to "evaluate the effect on tourism of Federal legislation, regulations, policies and program" affecting tourism?

Answer. First of all, OMB has never orally or in writing expressed to the Department of Commerce or to USTS that it favored a "weak" TAB. The Department of Commerce believes that the TAB has performed a valuable service in providing professional advice and counsel on important tourism issues. Board members have given of their time at no cost to the government and have not been paid for travel costs in connection with their travel to Washington. As structured presently, however, one weakness expressed is that there is no follow-up between meetings since there is no staff assigned to the TAB. Members of the House Subcommittee on Transportation and Commerce expressed the view that they wanted to see more active input by tourist and industry representatives into Federal Government tourism programs. It was felt that by assigning a designated staff to provide support to the TAB would help to discharge its responsibilities and increase its ability to make recommendations to the Secretary on important tourism issues. The Department envisions that a designated staff would provide support not only to the TAB but also to the Interagency Coordinating Committee proposed to be established. There is no objection to a staff of this size but this program must operate within

both the President's desire to hold Federal employment down and the Congressional desire to limit the staff in Washington.

Question. According to what USTS told the Committee staff, OMB urged a restructured Travel Advisory Board (TAB) and also urged that the TAB study the question of whether a quasipublic corporation (S. 1097) is necessary. In fact, at one point in the budget process OMB proposed to allow USTS \$2 million for an advisory function even though OMB envisioned that the TAB would only have a "weak role."

(a) Why do you suppose OMB put so much emphasis on this "advisory role" especially since it wanted a "weak" TAB?

Answer. It should again be noted that OMB has never orally or in writing expressed to the Department or USTS that it favored a "weak" TAB. Emphasis was placed on the advisory role of the TAB in order to achieve a better Federal tourism program. It is felt that through an even closer relationship with travel industry representatives better advice will be received on which to base programs.

Members of the House Subcommittee on Transportation and Commerce requested that this advisory role for the TAB be approved in discussions with OMB officials.

Question. In its report last year, the Senate Appropriations Committee said that of the \$8 million it was appropriating, \$1.3 million was for USTS' Washington operation, including the multilingual receptionist program.

(a) How much of the \$1.3 million was allocated to the multilingual receptionist program; and how much of a cut was this from fiscal year 1979?

(b) Did any of the tourism authorities at cities where the airports of entry are located complain about the cut?

(c) How much of the \$1.3 million was allocated to the Office of Management and Administration; and how many personnel are assigned to it?

Answer. Answers to the three questions are listed below:

(a) In 1980 a total of \$200,000 was allocated to the multilingual receptionist program. In fiscal year 1979, the allocation for that program was \$300,000. The reduction of \$100,000 or 33 1/3 is less than the 40 percent reduction in the total USTS budget from 1979 to 1980.

(b) Due to a requirement that the Washington staff be reduced by 60 percent, the USTS multilingual receptionist employees at Dulles Airport were terminated resulting in termination of the program. The other 13 cities in which the multilingual receptionist program operates were disappointed that the program was reduced. When the total impact of the overall USTS budget reductions were explained, they fully understood the need for the reduction. They all recognize the value of the program and would like to see the program restored and increased in the future if possible.

(c) In the November 4, 1979, reorganization of USTS, two offices were established reporting to the Office of the Assistant Secretary. They were the Office of Marketing and Field Operations and the Office of Management and Administration. The Office of Management and Administration received an allocation of \$288,000 for fiscal year 1980 with a total of 12 positions. This office has responsibility for data collection and analysis, policy analysis, facilitation and matching grants functions staffed by seven positions as well as administrative responsibilities for which five positions have been designated.

Question. The Department of Energy's proposed Standby Gasoline Rationing Plan does not provide for the needs of foreign visitors traveling in their personal foreign registered vehicles in the United States.

(a) Did the Department of Commerce or USTS formally file comments with the Department of Energy on this point? On other tourism issues in the plan?

Answer. See pages 30-32 of the testimony. These points were also made on November 28, 1978, in the Department of Commerce comments to the Department of Energy concerning the Contingency Gasoline Rationing Plan (43 Federal Register 28134, June 28, 1978) and to OMB on February 26, 1980.

Question. (a) Does the Department of Commerce or USTS have any liaison with the Department of Energy on tourism matters? The Committee by letter requested the comments of DOE on S. 2248. Yesterday by telephone in response to Committee inquiry, the Department replied that it "had no comment."

(b) Does the Department of Commerce or USTS have any liaison with the CAB on tourism matters? By letter the Committee requested the comments of the CAB on S. 2248. By letter the CAB replied that it "had no comment."

(c) The Department of Transportation has responsibility in the area of international visitor facilitation. Does the Department of Commerce or USTS have any liaison with the Department of Transportation? By letter the Committee requested the comments of the Department of Transportation on S. 2243. By telephone DOT replied that according to preliminary review, S. 2248 had "no effect" but formal comments are forthcoming.

(d) The Department of Agriculture has the responsibility of controlling the importation of agriculture products. Does the Department of Commerce or USTS have any liaison with the Department of Agriculture? By letter the Committee requested the comments of the Department of Agriculture on S. 2248. Yesterday the Committee by telephone was informed that S. 2248 had "no relevance to their programs."

Answer. (a) Yes, USTS has requested and the Department of Energy has appointed an official to serve in an advisory position to the Travel Advisory Board on tourism matters that would be affected by energy policies. The designee of DOE is Mr. Bart House, Deputy Administrator, Economic Regulatory Administration, Department of Energy. Mr. House participated in the January 3, 1980, meeting of the TAB and has requested to be on the agenda of the March 27 meeting.

(b) Yes, USTS has liaison with the Bureau of International Affairs of the Civil Aeronautics Board in bilateral air negotiations and meetings and also works closely with CAB officials on the waiver of air transportation for USTS-sponsored familiarization tours.

(c) Yes, USTS does have liaison with the Division of Travel and Trade, Office of Facilitation, Bureau of Transportation Programs of the Department of Transportation.

(d) Yes, USTS has liaison with the Animal and Plant Health Inspection Service of the Department of Agriculture. Travel Service port receptionists work on a daily basis with inspectors of the Animal and Plant Health Inspection Service providing interpretation assistance as needed in the 13 ports of entry where USTS operates its multilingual receptionist program. USTS also provides to its field offices for distribution copies of the DOA literature on subjects such as agricultural quarantines and tips on bringing food, plant and animal products into the United States.

Senator INOUE. Now we have the Travel and Tourism Industry Advisory Council; the chairman, Mr. William B. Walton of Holiday Inns Inc.; vice chairman, Mr. William D. Toohey, president of DATO; Dan Colussy, president and chief operation officer, Pan American World Airways; Howard P. James, chairman, The Sheraton Corporation; Harry Mullikin, President, Western International Hotels; and Robert J. Sullivan, General Manager, San Francisco Convention & Visitors Bureau.

Wild Bill, are you going to start off?

STATEMENT OF WILLIAM B. WALTON, CHAIRMAN, TRAVEL AND TOURISM INDUSTRY ADVISORY COUNCIL; ACCOMPANIED BY WILLIAM D. TOOHEY, SECOND VICE CHAIRMAN; DAN A. COLUSSY; HARRY MULLIKIN; AND ROBERT J. SULLIVAN

Mr. WALTON. Yes, Mr. Chairman. I was interested in Senator Warner's observation that this good Committee and the Congress has had to referee this travel and tourism industry for these many years; and I concur with him. I'm sure that we concur in the frustration of this situation.

Mr. Chairman, we have with us today the members of the Travel and Tourism Industry Advisory Council for this Commerce Committee. Some of the group will speak briefly as part of the Advisory Council, and some will speak independently, such as Mr. Julianio who has some additional comments to make in addition to those of the Council.

Mr. Toohey will speak in connection with a panel that he has brought along with him.

Mr. Sullivan will speak along with Mr. Toohey and their group.

We did want this Committee to realize that we of the Travel and Tourism Advisory Council to this Commerce Committee recognize the responsibility that has been placed upon us, and we consider it quite an honor. We have a good representation here today to

emphasize that we do feel this is a definite responsibility to the Commerce Committee and to the industry that we represent.

Of course, while I have been here before appearing as the vice chairman of the board of the Holiday Inn Corporation, I am really appearing here today as the chairman of the Travel and Tourism Industry Advisory Council of this Commerce Committee.

I have filed a written statement for the record and I would like the Chairman's permission to abstractly speak from it and to be as brief as possible.

Senator INOUYE. Without objection, your full statement will be made a part of the record.

Mr. WALTON. I would like to say at the outset, we recognize the element of time. We are going to be as brief as we can; but we do want to emphasize some very salient points that have been made in my testimony and some that have been made heretofore.

I think we all recognize the importance of the travel and tourism industry by this point in time. Certainly, we have spent enough time of the industry's executive officers and otherwise to determine; and the investigative abilities of the United States Senate itself to determine the value of this industry. I don't really believe that it is absolutely essential that we go back into all of those details once again.

Departing from my written statement, I want to emphasize right on the outset of my statement that while those members of the United States Commerce—Department of Commerce are here, that so far as the industry is concerned, we are still in total and complete support of S. 1097. S. 1097 represents to most of us six years of concentrated study.

When I say "concentrated study" I am talking about bringing in the chief executive officers of the major corporations of this United States; the directors of labor, such as Mr. Juliano and his associates, where management, business, industry and labor are working and testifying together.

We have been doing this for six years. In addition, you and the Senate authorized, with S. 347, the study to be made which broadened out into all ancillary efforts and activities in this industry to bring forth additional information which—as I recall—that study took approximately a year to 18 months.

We had public hearings. The record is available to be read and studied. The study itself is available to be read and studied.

Mr. Chairman, to hear someone talk about making another study is just absolutely the most frustrating thing I believe I have ever heard. There are some men in this industry who will be testifying here today that have been working 13 years. Senator Warner is exactly right: We have had to come in here when they declared us a nonessential industry; an administration declared this industry nonessential. You had to introduce a resolution, 281, in the Senate of the United States to get this industry recognized; and when you did, the industry and the Senate and the government found out that it was at that point the third ranking industry contributing to the economy and the social well being of this United States and nobody knew about it.

That to me is just beyond comprehension, but that is on the record.

Now, after we finished all the work and came up after the hearings, everybody in the industry had participated, we have come up with S. 1097; and the reason I am changing a little bit from the written testimony is because I heard you read a memorandum a minute ago that I believe I heard it said that some administration individual had written and said, "We believe that this will ward off 1097."

Well, we have a difference of opinion with whoever wrote that memorandum and possible with the administration. I don't believe that the travel and tourism industry at this point in time is going to be warded off. I think we are at a point where we feel a responsibility to the 5 million people whose jobs are dependent upon this industry; and it is not something that you study to death.

We have been on it 6 years. You know, I read the other day some comments by I believe Senator Bennett Johnston. I may be right. I think I am right about that. He was talking about making a keynote address at some particular banquet. He observed that one of the great tragedies of our century had been the death of the author of Pogo, the comic strip.

He referred to some of the philosophy of Pogo wherein Pogo had observed that, "Today we are surrounded on all sides by opportunity and today we met the enemy face to face—and the enemy was us."

Here we are talking about studies and shifting around people. Anybody in business, where you really have the bottom line to be concerned about, when things get a little tough, you don't disassemble your sales staff. That's the one thing you don't do; and you don't put people in a sales position who are not totally competent in sales efforts.

I think every person testifying here, representing corporations, would agree to that. Here we have an opportunity. There's an old saying that the time to sell the peanuts and popcorn is when the circus is on. We probably have got a greater opportunity than this country has had in decades to sell to foreign peoples around the world that America is the very best trade bargain, tourist destination bargain in the world today; and we need the best that we can get out on that line selling.

I believe, Mr. Chairman, that you will recall when we started in on this, the difference in payment was, I think people traveling into the United States were spending about \$4 billion. Americans traveling outside the United States were spending \$8 billion. I believe last year the records are going to finally indicate that we have a balance now of people traveling into the United States who spend \$10 billion in 1979, and that there is a great opportunity that that figure could be raised by another \$4 billion probably in 1980.

So to fool around with the sales and close offices, or transfer people around to do that job, we just don't agree with that. Of course, that is what makes the Democratic way of government.

We are in this position, and this is what I think we need to be sure we make perfectly clear at this hearing: That the industry supports 1097. We believe that it is the best way for this industry to be represented, and it's a new concept in a way; somewhat similar, of course, to public broadcasting and so on, but it gets—it is not contemplating a big new bureaucratic agency.

We are going to be running under the watchful eye of the Congress and the President and the General Accounting Office. The industry will be running substantially its business and seeing to it that we do compete with these foreign countries that you referred to; and you are exactly right.

I sat down with the minister of tourism of Canada several years ago. His budget was \$26 million. I saw his sales effort to encourage people to come to Canada. It was an excellent job. They are all doing it professionally.

In the Netherlands today, there is a bill very similar to S. 1097 pending before their parliament. I was there at the invitation of the government to come over and address the world marketing and speak on the subject of world travel and tourism; which, by the way, the economists of this country of ours are estimating that this travel and tourism industry is going to be, by 1999, a trillion-dollar industry.

As a world industry, it was \$504 billion last year. It simply is not an industry to be down in the ranks of any governmental agency, whether it be the Department of Commerce or what have you. It certainly needs to be on the level that S. 1097 puts it on.

To the question of S. 2248. In the event that the House doesn't act timely—and I hope that they will—the industry hopes that they will, we encourage the House to act timely. If they do, substantially S. 2248 may not be totally necessary, because we will have S. 1097 which it was our understanding that they—speaking now of the Administration—would keep the travel and tourism industry so far as the USTS is concerned, would keep it in place until S. 1097 came along and became a fact and could replace it.

That's the way we understand it. That's the way we think it ought to be; and we want to make that very clear at this hearing.

The support of S. 2248, of course, is obvious. If we don't have a timely handling of S. 1097, then it's our opinion that we must have USTS remain just like it is.

The circus is on. It's regrettable that we have had the problem with the dollar; but it did do this: It made the United States a really great tourism bargain. For once we have got more money—the chance of more money coming into the United States than we have going out to other countries. Why it is that we want to scotch that opportunity is frustrating to me, to—I am sure—the rest of the members of the Council, and to the rest of the people who will be testifying here today.

Mr. Chairman, I think you will find most of what I have said involved in the written statement I have filed here, listening to some of the previous testimony, I thought it necessary that they hear it. There seems to be some idea within the Administration that the industry is going to back away from S. 1097. I just want to clarify that with them right now.

Senator INOUE. Thank you very much, sir.

I have a few questions. It's been suggested that since the United States is the best tourism bargain in the world, it's so obviously good, that people are going to come here. Therefore, it's a waste of money to try to tell the United States; you don't have to sell it.

You are a businessman. What's your argument, sir?

Mr. WALTON. Mr. Chairman, anyone in business that ever takes the attitude that things are so good that you don't need a sales staff has written his own epitaph for bankruptcy. We would never do it. We have 237,000 rooms to sell every night. I think we are running as good an occupancy as anybody in these United States does run.

We just completed spending \$25 million to improve our Holidex system which was already the best in the world. We could see what the opportunities were. We got busy and developed Holidex-2 so that we can compete in this world market. We intend to compete in this world market. I think the United States Government should take the same attitude: Let's get off of negativism.

Senator INOUE. The Secretary suggested that industry members were consulted before the Administration's program was made public. Are you aware of any industry member being consulted by the government of the United States?

Mr. WALTON. Mr. Chairman, not to my knowledge. I know I haven't been to Washington, to the White House. I haven't been invited there by anybody.

I had a telephone call which stated to me that the administration was taking 180-degree change in attitude, and that the bill, S. 1097, was something whose time had arrived. That's about the extent of my knowledge.

So far as a group of industry representatives being invited to come to the White House and discuss this industry, I haven't been.

Senator INOUE. Is there anyone on this panel who is a member of the Travel Advisory Board?

Mr. SULLIVAN. I am, Senator.

Senator INOUE. Mr. Sullivan?

Mr. SULLIVAN. Yes, sir.

Senator INOUE. The administration's position is that the Travel Advisory Board should conduct a study as to whether a quasi-public corporation should be established. What will be the position of the Board on this? Are you people ready to study this?

Mr. SULLIVAN. Senator, I have not had a chance to consult with my colleagues on the Board. A number of them are in this room.

We have studied for the past 6 years this very issue. Mr. Gillett from New York, Mr. Toohey who served on the Travel Advisory Board, Mr. Juliano, Mr. Philion.

We have studied this issue. Maybe we caused the birth of the concept through our concerns about serving on the TAB. This has all been done.

I cannot see any purpose served by more study. It's totally redundant, as far as I am concerned, and I think as far as the other members of the TAB who have long tenure on the Board, I think it's totally unnecessary to restudy.

It is our recommendation that S. 1097 is the way to go.

Senator INOUE. Mr. Toohey, are you on the Board, too?

Mr. TOOHEY. Not at the moment, Senator, but I had been on the Board for many years previous to the last 2 years.

Senator INOUE. Do you think the Board will respond by conducting a study?

Mr. TOOHEY. I find that doubtful, Senator. Members of the Travel Advisory Board are responsible executives in the industry. All of

them have been involved in this long process of studying the proper federal role in tourism.

All of them, as far as I know, support the legislation that emanated from your committee and was passed unanimously by the Senate.

The proposal to restudy the study to me is a waste not only of taxpayers' dollars but a waste of industry personnel time. The job has been done, Senator.

Senator INOUE. Your position hasn't changed?

Mr. TOOHEY. Our position hasn't changed one iota.

Mr. WALTON. Mr. Chairman, Mr. Dan Colussy, the president and chief operating officer of Pan American has a short statement to make.

Senator INOUE. Mr. Colussy, it's always good to have you with us. We have received your full statement here. Without objection, it will be made a part of the record.

Mr. COLUSSY. I would like to just highlight a part of my testimony.

First, I think Mr. Walton has said it all with great eloquence. We certainly and fully endorse everything that he has said.

I would, however, like to offer congratulation and gratitude to you, Mr. Chairman, and to your committee for your leadership in securing appropriate attention to the travel and tourism industry and to the important part which it can play in our national economy.

You have succeeded to a great extent in unifying the leadership of the industry and bringing it to speak with a much clearer and more effective voice than has ever been shown in the past.

My company, Pan American World Airways, wholeheartedly supports this effort.

From my discussions with my colleagues, I know I speak for the U.S. international airline industry.

The facts of the tourism flow in 1979 give us in the international aeronautic industry a sense of urgency to see the national tourism policy enacted into law at the earliest possible date and to bridge the gap until that date by continuing the U.S. Travel Service in as much strength as can be given to it.

In 1979 for the first time, as has been indicated, the U.S. became a tourism-receiving country in that noncitizen arrivals totaled 9,943,000 versus the citizen departures of 9,920,000. That's according to the U.S. Immigration Service.

The flow of inbound tourism increased by 25.2 percent, whereas outbound increased by only 7.9 percent to and from all countries except Canada.

Undoubtedly, the U.S. Travel Service abroad assisted in this development, although the prime reason was that the U.S. has become a bargain tourism resort due to the value of the dollar compared to other currencies.

Our business judgment tells us that this is the time for urgent investment and promotion.

The people who visit the U.S. now attracted by its bargains will become repeat visitors as they see the immense variety of attractions the U.S. has to offer.

If we miss this opportunity, then we bring about problems for U.S. tourism when the dollar regains its strength.

With the flow running in favor of the U.S. and with an adequate tourism policy and coordination such as that set forth in S. 1097 and with reasonable funding, it is perfectly conceivable that tourism from foreign countries to the U.S. can double in the next few years; and the consequent generation of another billion or so in taxes makes all the levels of funding that have been discussed in this connection extremely reasonable and sound business common sense.

My company spends more than 50 percent of its marketing resources overseas, primarily in the generation of passengers to this country.

We will, of course, continue to do so. Yet the private enterprise companies faced with their responsibilities to their stockholders must spend their funds for their own subjective purposes.

In our case, some of our resources have to be spent in competitive battles to protect our share of market for ourselves and for the U.S. flag against the subsidized efforts of foreign national carriers. Given these circumstances, only the U.S. itself is in a position to do the broad, well-targeted task of attracting visitors to its shores in competition with the superb efforts of many countries around the world.

Thank you, Mr. Chairman.

Senator INOUE. Thank you, Mr. Colussy.

Mr. WALTON. Next is Harry Mullikin, president and chief executive officer of Western International Hotels.

Mr. MULLIKIN. Good morning, Mr. Chairman. For the record, our company, Western International Hotels, owns and operates some 55 hotels in 15 different countries around the world.

Rather than comment on the items that have already been well commented on by my associates, I would like to refer to the proposal that was made this morning by the Administration.

We feel at this time that any disruption in the USTS would be most unfortunate until such time as the bill, S. 1097 was enacted. I would also like to comment on their proposals for how they would handle the tourism activities with their organization and base this on our own history that we found in our own company.

When we first started locating hotels in foreign countries, we felt the sales activities for our other hotels in other countries than the United States could be handled by the sales representatives of those hotels. We found that this did not work out. Our second effort then was to set up individual sales offices in each hotel in the foreign countries under the management of that hotel to dedicate their activities to selling other hotels in other countries.

We found out that this did not work.

We have now completely separated our sales offices out and have regional offices in cities around the world, Tokyo, London, and so forth that have one job and one job alone. That is to sell other hotels in other countries.

Sales as we all know is a very specialized business. It's a full-time consuming business. You have to be an expert in that business. It has to define exactly what your level and your markets are. Anytime sales or sales representation or marketing or promotion

are mixed in with other activities, they do not get on the front burner and do not get the attention that they should.

I wanted to add that comment to the proposal that was made this morning to this committee.

Thank you, Mr. Chairman.

Senator INOUE. I think your closing comments are very appropriate because the Administration expects the commercial officer of each embassy, in addition to his regular responsibilities, to sell the United States.

Do you think that would work?

Mr. MULLIKIN. No, sir, I don't, at all. As I said, it would not take his attention, because their attention would be focused on those things which were of immediate concern. This can certainly be set aside. It would not get the attention. They would not have the expertise to do it.

Senator INOUE. In your position as president of Western International, I presume you have had occasion to travel abroad?

Mr. MULLIKIN. Yes, sir.

Senator INOUE. Have you had occasion to visit with the various embassies abroad?

Mr. MULLIKIN. We have talked to the other embassies, ours as well as other countries. Of course, as we travel abroad, we do see a tremendous amount of tourism throughout the world.

You asked earlier about if you have a good buy, is it necessary to tell anyone; and even though we invented the best mousetrap, we still have to let people know it's there. We are expending—our funds, as is Pan American and all other countries—to get that word to the people in Europe and other foreign countries, that the U.S. is a good buy. We can't do it without the help of these U.S. offices.

Senator INOUE. In your business with the U.S. embassies abroad, did you get the impression that tourism was high on their priority list?

Mr. MULLIKIN. No, sir.

Senator INOUE. Did you find they were concerned about it?

Mr. MULLIKIN. Well, I think again it's a matter of priorities. They have some things which are urgent needs that have to be taken care of at that particular hour, that particular day. The subject of the promotion of tourism can be set aside.

Senator INOUE. Thank you very much.

Mr. WALTON. Mr. Chairman, just one final word. This is somewhat personal, but it emphasizes the importance that most of us of this industry attach to this work that we are now doing; and in my own personal case, beginning the first of January, I turned the ripe young age of 60 years and 27 years with Holiday Inn.

My company has granted me a full, compensated leave of absence to contribute my full time to the work of the chairmanship of this Council. The company feeling is that a healthy industry is, of course, one of the most important things it has to its own business and to this nation; and the company feels that as part of its responsibility, that this is one thing that they are going to do.

So for the next several years, the company has made it possible for me to be dedicated completely to this work. That's how I—and, by the way, one final thing: I would like to introduce to you and to

Senator Warner—he may already know—a young man who many years ago was my administrative assistant, a young man named Richard T. Ashman. He is now executive vice president of the hotel group of the Holiday Inn Corporation. He is here today. I would like for him to stand up, because you will be seeing more of Richard.

We intend to be involved in the governmental process from now on.

Thank you.

Senator INOUE. We thank you very much.

Mr. Sullivan, do you want to say something? You flew all the way from San Francisco.

Mr. SULLIVAN. Thank you, Senator. I only want to reiterate that I wholeheartedly endorse the statement of our chairman on our advisory board to the Senate Subcommittee.

I would just like to just emphasize two things that came up in this morning's conversation. That is about closing the International Congress Office. San Francisco is not the major city in the United States for international meetings. That honor goes to New York, under Mr. Gillett's jurisdiction, and Washington, D.C.; but we do have a large number of international meetings.

Because of the work of the International Congress Office of the USTS—that took place a number of years ago, San Francisco has the opportunity of entertaining the World Ophthalmology Congress in 1982 with 7,000 delegates from all over the world, the first time that this meeting has ever been held in the United States.

That same year, just 1 week later, the International Obstetricians and Gynecologists 10th World Congress—the first time it's ever been held in the United States—with about 10,000 doctors will be coming to San Francisco.

Just yesterday my office was involved with the International Cardiology Congress which has never met in the United States before. It is absolutely unthinkable in my mind that anything would be done other than to supplement what is already taking place. There is no time to study, to reevaluate, to consider closing, to adjust downward, to put into another framework what is already taking place.

If there is anything that needs to be done, the efforts of the United States Travel Service should be redoubled so that they can accomplish more than what they are able to do at the present time.

Thank you.

Mr. WALTON. Mr. Chairman, Mr. Toohey will now speak with his group. He has a group. Mr. Juliano will speak separately as he has additional commentary to make.

Mr. Bud James, Howard B. James, had a last minute opportunity that kept him from coming with us this morning.

Senator INOUE. Mr. Walton, once again I thank you very much for the contribution you are making to the United States Senate.

Gentlemen, on behalf of the Subcommittee, I thank you for your time and talent.

Senator WARNER. I just have one question. I opened up and apparently raised the dander a little bit of the Under Secretary of Commerce. Despite his comments, I still feel that we are not get-

ting what I view as complete cooperation between industry and government.

Does anybody on the panel want to comment on my observation?

Mr. Colussy, you have been to the CAB, the FAA. You see a lot of regulatory actions. Do you think the Department of Commerce is taking the action necessary for the American tourist?

Mr. COLUSSY. Senator, from my perspective, we have very little relationship with the Commerce Department except for the USTS. We have seen almost no other effort in the tourism area.

On their behalf, I will say that they do concentrate on export type products and put a lot of effort into that area. We see qualified people overseas that represent the United States in that arena; but in the service area and specifically in travel, we see absolutely no expertise that exists, nor for that matter any significant interest that exists, again apart from the USTS.

Senator WARNER. Does anyone have any further comment?

Mr. Toohey?

Mr. TOOHEY. Senator, I think your observation is absolutely correct. Just as an aside on the Industry and Trade Administration, there is an article in the February 25 edition of *Business America*, which is the Commerce Department's publication explaining the Industry and Trade Administration and its new efforts in the field of export.

Tourism is not mentioned whatsoever in the explanation of what this operation is going to do.

Senator WARNER. That is very interesting. I am sure the Chairman and I will continue on for another year doing the best we can. Is that correct, Mr. Chairman?

Senator INOUE. More than a year, I would hope.

Senator WARNER. I meant just this coming year. We are going to get somebody's attention along the way.

Mr. WALTON. We will be back.

Senator INOUE. We will be around.

Once again, I thank you very much, gentlemen.

[The statements follow:]

STATEMENT OF WILLIAM B. WALTON, CHAIRMAN, TRAVEL AND TOURISM INDUSTRY
ADVISORY COUNCIL

My name is William B. Walton, and I appear as Chairman of the Travel and Tourism Industry Advisory Council to the Senate Commerce Committee.

The Council which was created by this Committee is made up of 18 senior executives from the public and private sectors of the travel industry who, as our title indicates, advise the Committee on issues of national importance which affect the travel industry.

Each of us is honored by the Committee's selection, and believe we can make a valuable contribution to our great country if we advise you wisely and constructively about an industry which contributes over \$115 billion to our economy, and employs over 5 million adults and teenagers.

If for no other reason than the importance of our industry to the nation, it was especially far-sighted and commendable for the Committee to create an advisory mechanism such as the Council.

Regrettably, however, there is another reason which made your action even more compelling. Very simply, over the years Administration after Administration of both political persuasions has not only failed to take the interests of the industry into account, they have proposed policies and programs which have threatened the livelihood of significant segments of our 5 million-plus work force, and undermined the economic structure which is responsible for generating over \$115 billion in the economy.

When these crises occur the industry has found one place in official Washington where our importance to the nation is understood, and our voice is heard.

It is therefore good for us to be here!

My testimony this morning has been read and approved by each of the 17 members of the Travel and Tourism Industry Advisory Council and is therefore the recommendation of the Council.

On January 30, the Senate Commerce Committee wrote to Secretary of Commerce Klutznick as follows:

"The Committee's principal legislative priority (in 1980) is enactment of S. 1097. While S. 1097 recognizes that a Federal agency such as the USTS cannot adequately fulfill the legitimate and necessary complimentary role of the Federal Government in travel and tourism, unless the House acts in a timely fashion on S. 1097, it may be necessary to authorize funds to continue USTS for one additional year. In the event this is necessary, the Committee expects to recommend a simple extension of USTS' existing authority so that its international offices and staff may continue to operate at the same level and in the same manner in fiscal year 1981 as they did in fiscal year 1980."

The Travel and Tourism Advisory Council unanimously agrees and supports that position.

S. 1097, which passed the Senate unanimously last May with unanimous industry support represents six years of combined effort by this Committee and all segments of the industry. Literally hundreds of industry members—the chief executive officers of its largest corporations, proprietors of small business, representatives of organized labor, state and local officials, and representatives of the organized consumer movement—all joined together under the leadership of this Committee to produce S. 1097.

The task was arduous, and as I have said, it took a long, long time. There was a good deal of give and take, and every bit of it was done in the public forum for all to see and hear. And, most importantly, to join in, if they wished.

S. 1097 was the result of thorough study. Every step we took along the way is thoroughly documented in the several printed volumes of testimony and study.

Those reports and hearings are readily available for analysis, so if anyone has any questions about S. 1097 all they need to do is, in the words of a great American, Al Smith, "take a look at the record."

Mr. Chairman, I feel that further delay at this time would cause the industry and the nation to lose precious time. We have already spent a great amount of money and expensive industry resources. The appropriate role of the federal government in travel and tourism is not a subject of academic interest to be studied and restudied. It is really a simple exercise of financial planning and profit production which means tax dollars and jobs to millions of people and increased prosperity to the entire nation.

There is an old saying . . . the time to sell the popcorn and peanuts is when the circus is on. Right now with the value of the dollar being as it is and so much of the world in political and government unrest the United States is the best travel value in the world. We probably have the greatest opportunity to benefit from travel to the United States that we have had in two decades. Now is the time to sell America and certainly not the time to decrease the sales staff. We have done our work well, and all we ask is that our product—S. 1097 be judged on its merits.

It is in the nation's interest therefore that the Federal Government get down to business and administer its programs and policies in a manner which permits our industry to realize its full potential to contribute to America's greatness.

S. 1097 does this because it prescribes new mechanisms and new approaches to assure that the Federal role is responsive to the needs and interests of the industry and the public whom we serve.

As such it recognizes that the old cliches and lip service to the industry's importance were just that. Things never really changed. With clock-like regularity we troop back to Congress and ask you to reject the latest industry-crippling energy proposal, business entertainment tax proposal, or, as in the instant case, another attempt to curtail the government's travel promotion efforts at a time when the U.S. is the best bargain in the world.

S. 1097 attempts to get at the root cause of this problem in several ways. It creates a quasi-public Corporation, independent of the prejudices of an OMB, which could promote the United States abroad, and help assure that industry and the public get a "fair shake" from the government agencies at home.

I need not remind this Committee that in open hearing when it asked the United States Travel Service what its views were on the Administration's "three martini" lunch proposal, the Travel Service replied that it supported the President.

And when the Department of Energy proposed the weekend closing of gasoline service stations, not a word was heard from the Travel Service on behalf of the industry.

S. 1097 also recognizes that if there is any chance of coordinating the programs and policies of all of the departments and agencies of government affecting travel, it will take the leadership of someone who is above interagency battles. Someone who speaks from the Office of the President. That is why the Cabinet-level Coordinating Council which S. 1097, also creates would be headed by the Assistant to the President for Domestic Affairs and Policy.

The National Tourism Policy explains in detail why nothing less than a Cabinet-level Coordinating Council mandated by law can be expected to do the coordinating job which is necessary.

Yet, the Department of Commerce in the budget it has submitted for fiscal year '81, would have us believe that an interagency Council headed by a relatively minor bureaucrat at USTS could assure that our industry gets a "fair shake" at the Department of Energy, the Treasury Department, the State Department, and the 50 or so other agencies in government.

With all due respect, common sense and history emphatically and sadly tell us otherwise.

The case for S. 1097 has been made. In the Council's judgment, it is compelling, and we urge speedy enactment of the legislation.

If, however, the House does not act in timely fashion, the Travel and Tourism Industry Advisory Council unanimously supports S. 2248, as an interim measure.

We share the Committee's dismay over the proposal to increase USTS' Washington staff and budget at the expense of the agency's international offices.

Under that proposal USTS will have 25 people overseas on the "firing line" promoting the U.S., and 50 people in Washington supporting their efforts. As Senator Inouye noted, this is a precise reversal of what Congress did last year when it mandated that USTS reduce its Washington staff by 60%, so that USTS would have its greatest resources where the action is, i.e., in the overseas offices selling the U.S. as a tourist destination. We in the travel industry unanimously supported Congress.

World travel expenditures in 1979 were estimated to have reached \$504 billion, and every developed nation in the world is aggressively promoting itself as an international tourism destination through its national offices located throughout the world.

For example:

1. Approximately 25 foreign governments have national tourist offices in Canada urging the Canadian consumer to travel to destinations other than the United States;

2. In Mexico there are at least 17 such national tourist offices;

3. In Japan there are at least 44 such national tourist offices;

4. 65 foreign governments and 64 foreign airlines compete in West Germany;

5. In the United Kingdom there are 55 foreign national tourist offices; and

6. In France there are 46 foreign national tourist offices.

If the United States is to compete in the lucrative international tourism market the very least we can do is to continue our very modest overseas effort until S. 1097 is enacted. As the Committee emphasized last year, Federal programs for data collection and policy analysis are not the most effective means for promoting international tourism. Your view is shared by the travel industry, and the 125 nations which operate national tourist offices in foreign countries.

Beginning with the International Travel Act of 1961, continuing with the Energy Resolution (S. Res. 281) in 1974, the four-year National Tourism Policy Study (S. Res. 347), and S. 1097, the Commerce Committee has endeavored to make the government aware of how vital a healthy travel and tourism industry is to our economy and the national welfare. Significantly, these efforts have been characterized by full industry participation and involvement.

Once again, it is necessary for the industry to rally behind your leadership. Our common goal is enactment of S. 1097, and the Council stands ready to assist you in every possible way.

STATEMENT OF DAN A. COLUSSY

Mr. Chairman, my name is Dan A. Colussy, and I am President and Chief Operating Officer of Pan American World Airways. I have had the honor of appearing before you and your Committee on two occasions in 1978 and 1979 in hearings which led to the passage of the National Tourism Policy Act—S. 1097.

Mr first words should be ones of congratulation and gratitude to you, Mr. Chairman, and to your Committee for your leadership in securing appropriate attention to the travel and tourism industry and to the important part which it can play in our national economy. You have also succeeded to a great extent in unifying the leadership of this industry and bringing it to speak with a much clearer and more effective voice than has ever been true in the past.

My company, Pan American World Airways, wholeheartedly supports the testimony which has just been given by Mr. William B. Walton, the Chairman of the Travel and Tourism Industry Advisory Council formed by the Senate Committee on Commerce, Science and Transportation, of which I am proud to be a member. We are also in complete agreement with the testimony given here today by Mr. William D. Toohey, President of the Discover America Travel Organizations, Inc. In saying so, I know that I speak on behalf of the entire U.S. international airline industry.

Pan Am has been involved in the development of an adequate tourism policy for the U.S. since the late 1930's. In 1961 we supported the legislation which led to the International Travel Act of that year. We participated actively in the industry/Government task force formed by the Treasury Department under former Ambassador Kinney and in the subsequent Presidential Commission on Travel in the years 1967 and 1968. We also played a part in the National Tourism Resources Review Commission in 1970 to 1973. We have had the privilege of participating actively in all the stages of the exhaustive National Tourism Policy Study under your leadership.

In our 53-year history, having started the first international scheduled passenger route in January 1928, we have grown from the 1,184 passengers that we carried during our first year of operation to 10,042,000 passengers last year and now carry 30 percent of the air traffic from the overseas countries which we serve to the U.S. In that process we have, of course, acquired a deep knowledge of the marketplace and have worked in close cooperation with the official government tourist offices of many countries as well as with the U.S. Travel Service throughout its checkered career. We know that the task of tourist development requires true professionalism and we are deeply concerned over the current proposal by the Administration to trim down even further the limited number of travel professionals who work in the USTS offices abroad. We know from experience that it is a retrogressive step to place the development of tourism in the hands of untrained personnel in the commerce staffs of the Foreign Service who are more accustomed to dealing with the export and import of hard goods and who are not trained or experienced in the travel trade.

The facts of the tourism flow in 1979 give us in the international airline industry a sense of urgency to see the National Tourism Policy Act enacted into law at the earliest possible date and to bridge the gap until that date by continuing the U.S. Travel Service in as much strength as can be given to it. In 1979 for the first time the U.S. became a tourism receiving country in that non-citizen arrivals totaled 9,943,000 versus citizen departures of 9,920,000, according to the U.S. Immigration Service. The flow of inbound tourism increased by 25.2 percent whereas outbound increased only 7 percent to and from all countries except Canada. Undoubtedly the limited U.S. travel representation abroad assisted in this development though of course the prime reason was that the U.S. has become a bargain tourist resort due to the value of the dollar compared to other currencies. Our business judgment tells us that this is a time for urgent investment and promotion. The people who visit the U.S. now, attracted by its bargains, will become repeat visitors as they see the immense variety of attractions that the U.S. has to offer. If we miss this opportunity, then we bring about problems for U.S. tourism when the dollar regains its strength.

We know and share the public's concern about getting government expenditures to a minimum in these uncertain economic times. Actually, the current planning has reduced the U.S. tourism expenditures substantially from the 15 or so million dollars previously authorized and S. 1097 wisely calls for a detailed study by the proposed non-profit corporation of the funding level which is truly required and of all alternative funding measures other than direct Treasury funding. The corporation is to report back to the Congress and the President on these subjects within six months of its incorporation. This will ensure that future funding is prudent and cost effective. It is further conceivable that this study will lead to a methodology for the better financing of the tourism efforts of the States.

However the attraction of tourist visitors to this country is to be funded, the effort represents a common sense business approach. The U.S. Travel Data Center has calculated that 13.6 cents of every dollar spent by a foreign tourist comes back into the public treasury in the form of taxes—federal, state or local. That means

that our inbound tourism last year generated well over one billion dollars in taxes. With the flow running in favor of the U.S. and with an adequate tourism policy and coordination such as that admirably set forth in S. 1097, and with reasonable funding, it is perfectly conceivable that tourism from foreign countries to the U.S. can double in the next few years and the consequent generation of another billion or so in taxes makes all the levels of funding that have been discussed in this connection extremely reasonable and sound business common sense.

My company spends more than 50 percent of its marketing resources overseas, primarily in the generation of passengers to this country. We will of course continue to do so. Yet private enterprise companies, faced with their responsibilities to their stockholders, must spend their funds for their own subjective purposes. In our case, some of our resources inevitably have to be spent in competitive battles to protect our share of market for ourselves and for the U.S. Flag. Given these circumstances, only the U.S. itself is in position to do the broad, well-targeted task of attracting visitors to its shores in competition with the superb efforts of many countries around the world.

Thank you, Mr. Chairman.

Senator INOUE. Our next witness is the legislative representative of the Motel and Restaurant Employees and Bartenders International Union, AFL-CIO, Mr. Robert E. Juliano.

STATEMENT OF ROBERT E. JULIANO, LEGISLATIVE REPRESENTATIVE, HOTEL AND RESTAURANT EMPLOYEES AND BARTENDERS INTERNATIONAL UNION, AFL-CIO, WASHINGTON, D.C.

Mr. JULIANO. Thank you, Mr. Chairman. I would ask your permission that my full statement be made a part of the record.

Senator INOUE. Without objection, so ordered.

Mr. JULIANO. I would very much like to align myself as a member of the Senate Advisory Council with the remarks of Mr. Walton and would like to be so recorded.

I had a question too. Do we get paid for piece work? this is about the 18th time we have testified. Can we put in a request for additional compensation?

We applaud your efforts again to try to continue to make sense of the garbled administration policy with the introduction of S. 2248.

The recent performance of OMB, the Department of Commerce, USTS and some Administration officials borders on the unbelievable. Having backed off a budget limit of \$3 million by increasing it to 9 million, OMB felt this would satisfy the varied interests in the tourism industry.

However, they now proceed to tell us that the money for tourism promotion in the 1981 budget will be shifted to ITA. In plain English this is their way of burying any role tourism might have in the public sector.

They further go on in a deliberately vicious way by calling for a reduction of personnel abroad from 45 to 25 and an increase in Washington personnel from 30 to 50.

Translation: let us destroy the overseas offices which have been the only effective part of the USTS because of their efforts on promoting the United States to foreign visitors, even USTS reluctantly testified that the rate of return on each dollar spent in tourism promotion abroad is 18.6 to 1. So they slashed this and increased the Washington staff which can only mean a greater degree of bungling ineptitude than we have been party to in the past. So much for our calloused bureaucrats.

Mr. Chairman, my union, as well as many diverse segments of the industry, believes S. 1097 is still the answer to a coordinated national tourism policy. That is why we worked for its passage. We are still lobbying actively for the passage of S. 1097 in the House of Representatives. It is my working assumption that this committee in its infinite wisdom has introduced S. 2248 with the thought in mind that the House may legitimately run out of time on consideration of S. 1097 due to a heavy legislative calendar. Certainly, the Administration and the Department of Commerce would love to see this. We would not.

My international union strongly urges that you consider once and for all phasing USTS out of existence. Further it is my hope that you might be too busy with other major legislative initiatives and S. 2248 might not be acted upon by this full committee. I believe the time is right to urge whatever cooperation is necessary between the House and Senate to work towards the passage of a bill creating a quasi-public corporation. It is our feeling that OMB is hoping that we will fall for their ITA ploy. I am sure we will not, and I pledge the full resources of our union to work with you and your colleagues in the House to help pass S. 1097 as expeditiously as possible.

Senator INOUE. I gather from your statement you don't believe a study is necessary?

Mr. JULIANO. I am a member of the Travel Advisory Board. I believe every person who is on the TAB has testified before your committee and before your counterpart committee in the House; and we have strongly testified in both instances in favor of S. 1097. I don't know how someone could come back to us now, after we have analyzed this for 6 years, and testify in both Houses and say you are now going to get a staff of four and \$200,000 to study this proposal.

It obviously needs no more study. It's another ploy, in my opinion, to waste time. I am urging you to help us get on with the business at hand.

I think they would love to see consideration of extending USTS because that might be another legislative matter for the House to have to consider. They have a very overburdened calendar, just like you do in the Senate.

I think once and for all that the time is right. We have talked about it before. I think if USTS is phased out, and we push on S. 1097, I think we will see success relatively quickly.

Senator INOUE. Senator Warner?

Senator WARNER. Thank you, Mr. Chairman.

Mr. Juliano, is there any way to translate another \$1 billion in tourism coming into this country into jobs?

Mr. JULIANO. I think that the figure now is, Senator, about one job for every \$37,000 spent in tourism revenue. As far as I know, we are the most labor-intensive industry in the country. Well over half the work force is females.

The largest employer, probably, of minorities, of semiskilled, of handicapped people; and at a time when there is great concern about employment stimulating the economy, we just fail to understand why anyone, except the Congress, which has consistently

supported our industry, fails to see the value of taking an active role in promoting tourism to a greater degree.

Senator WARNER. When you mentioned the Congress, I gather there is some problem on the House side. Could you enlighten us as to what that difficulty is?

Mr. JULIANO. I think they are very close. I wish I could. I talked to many of the members of your counterpart subcommittee; and they haven't had the number of years wrestling that you have had with this, and they have a little more difficult time, I think, getting the type of votes you have. They don't pass a lot of stuff by unanimous consent in the House.

I think it was just a very legitimate concern about how we could come up with something that would be workable and continue the bipartisan support.

I honestly don't feel there is that great a difference. I think some types of meetings or a meeting of the minds would be helpful, because—especially with the testimony today of the top industry people, and ourselves, lending whatever we can to it, I think that the record is very clear again where the industry stands on S. 1097.

With the exception of perhaps a few minor technicalities, I am hopeful those differences could be worked out between ourselves and the House.

Senator WARNER. Thank you, Mr. Chairman.

Senator INOUE. Thank you very much, Mr. Juliano. I would like to express the gratitude of my subcommittee.

Mr. JULIANO. Thank you.

[The statement follows:]

STATEMENT OF ROBERT E. JULIANO, LEGISLATIVE REPRESENTATIVE, HOTEL AND RESTAURANT EMPLOYEES AND BARTENDERS INTERNATIONAL UNION

Mr. Chairman, on behalf of our general president, Edward T. Hanley, and the 450,000 members we proudly represent, may I say what a pleasure it is to appear before this distinguished subcommittee regarding S. 2248, a bill which would authorize extension of the United States Travel Service through the fiscal year of 1981, operating at the same staff and funding levels as of 1980.

It is appropriate that Dionne Warwick won the Grammy Award for "Deja Vu." I say this because it has been my distinct honor to appear before this distinguished subcommittee on matters relating to tourism on the dates of: March 29, 1974; September 29, 1975; April 2, 1976; September 20, 1978; February 26, 1979; and April 2, 1979.

Fortunately, my union is still welcome even though we have been up here so many times talking about the same subject matter trying to help you in the Congress who have responded magnificently to the needs of the tourism industry, and still fighting the never ending battle for truth and justice with the pencil sharpeners at OMB.

Lest there be any doubt, tourism in our mind means one thing: Jobs. A thriving travel industry means more job opportunity and stability for our members. Total employment in the industry is over 6 million men and women, almost 7 percent of the workforce. As we have said often, there is no more labor intensive industry than ours. We are the chief employers of minorities, females, unskilled, and semi-skilled workers, all categories where unemployment is the highest. The following information should indicate just what opportunity the tourism industry presents for the aforementioned categories:

Women constitute more than half (53.3 percent) of the travel industry workforce.

Blacks constitute about 14 percent of the total tourist industry workforce as against a 10 percent participation in the remainder of the workforce.

One-third of all youths aged 16-21 in the workforce are employed in the travel industry.

Our economy is very sensitive to the state of the travel industry, and the state of the travel industry in turn is very sensitive to the many Government Agencies,

programs, and policies (50 plus agencies; 100 plus programs) which affect it. If there is any doubt as to how the industry is affected by Government programs, the industry unemployment and bankruptcies caused by the week-end closing of service stations during the energy crisis of 1974, should dispel it.

Nevertheless, with full knowledge of what happened, and how dependent the industry is on adequate and uninterrupted supplies of energy, the agencies of the Federal Government (primarily DOE) not only permitted us to "drift" into the present energy crisis, they again incredulously recommended "weekend" closings of service stations. Congress, in its infinite wisdom, categorically rejected this nonsensical proposal.

Another example of how seriously the Government regards the industry is the recurring, frivolous proposal to deny tax deductions for legitimate business-related entertainment expenses. Had the most recent proposal become law, it would have devastated convention business, which is a substantial segment of our \$115 billion travel industry, and caused the loss of upwards of 200,000 jobs.

Another example is the administration's efforts to deny a Federal role in promoting international tourism. As this committee is well aware, the United States has a chronic travel deficit of about \$3 billion. Never has the opportunity been greater to reverse that trend. The state of the dollar, cheaper air fares, and great tourist attractions, make the U.S. the best international tourist buy. The travel industry unanimously recognizes that to capitalize fully on this potential, the promotional efforts of the private sector are not sufficient of themselves. A separate, complementary effort by the Government is essential.

We are certain you will hear of many other examples during these hearings, and the record of the National tourism policy is full of them as well. The point of it all is that we urgently need a national tourism policy to "make sense" out of the existing Federal involvement which is so extensive.

And by "making sense" I mean two things:

Assure that the interests of the travel industry, as set out in a statement of National policy, are adequately weighed whenever an agency of Government considers a policy or program which affects the industry. In other words, that we get a hearing before a proposal is formulated, not De Facto, as has been the practice.

That to the maximum extent possible, all policies and programs affecting tourism are in harmony, and contradiction and duplication are removed.

So much for a recap of what we covered and where we stand today. We applaud your efforts again to continue to try and make sense out of the garbled administration policy with the introduction of S. 2248. The recent performance of OMB, Department of Commerce, USTS, and some administration officials borders on the unbelievable. Having backed off a budget limit of \$3 million dollars by increasing it to \$9 million, OMB felt that this would satisfy all of the varied interests in the tourism industry. Without any dissent from USTS, however, they now proceed to tell us that the money for tourism promotion in fiscal year 1981 budget will be shifted to ITA (International Trade Administration). In plain English this is their way of burying any role tourism might have in the public sector. They further go on in a deliberately vicious way by calling for a reduction in personnel abroad from 45 to 25, and an increase in Washington personnel from 30-50. Translation: Let us destroy the overseas offices which have been the only effective part of the USTS because of their efforts on promoting the United States to foreign visitors. Even USTS reluctantly testified that the rate of return on each dollar spent in tourism promotion abroad is 18.6 to 1. So they slashed this and increased the Washington staff which can only mean a greater degree of bungling ineptitude than we have been party to in the past. So much for our calloused bureaucrats.

Mr. Chairman, my union, as well as many diverse segments of the industry, believes S. 1097 is still the answer to a coordinated National tourism policy. That is why we worked for its passage. We are still lobbying actively for the passage of S. 1097 in the House of Representatives. It is my working assumption that this committee in its infinite wisdom has introduced S. 2248 with the thought in mind that the house may legitimately run out of time on consideration of S. 1097 due to a heavy legislative calendar. Certainly, the Administration and the Department of Commerce would love to see this. We would not.

My International Union strongly urges that you consider once and for all phasing USTS out of existence. Further it is my hope that you might be too busy with other major legislative initiatives and S. 2248 might not be acted upon by this full committee. I believe the time is right to urge whatever cooperation is necessary between the House and Senate to work towards the passage of a bill creating a quasi-public corporation. It is our feeling that OMB is hoping that we will fall for their ITA ploy. I am sure we will not, and I pledge the full resources of our union to

work with you and your colleagues in the House to help pass S. 1097 as expeditiously as possible.

Senator INOUE. Our next witness is the president and chief executive of Quality Inns International, Inc., Mr. Joseph McCarthy.

Mr. McCarthy appears on behalf of the American Hotel and Motel Association.

STATEMENT OF JOSEPH MCCARTHY, PRESIDENT AND CHIEF EXECUTIVE, QUALITY INNS INTERNATIONAL, INC., APPEARING ON BEHALF OF THE AMERICAN HOTEL AND MOTEL ASSOCIATION, WASHINGTON, D.C.

Mr. MCCARTHY. I appear before you today in my capacity as chairman of the Governmental Affairs Committee of the American Hotel and Motel Association.

Before getting into my brief remarks, if I may, Mr. Chairman, I would like to just comment that in spite of the spirit of cooperation that seems to be suggested by Mr. Hodges this morning, it would be difficult for anyone sitting in this room to perceive that relationship as being anything other than an adversary relationship, at least on this issue.

It also seems to me that this is perhaps the circumstances that suggest the greatest justification for the establishment of a quasi public corporation regarding tourism.

It seems to me that it is extremely difficult for those who are employed by the Administration, speaking for tourism, to take a totally objective view in terms of our needs. Perhaps this is one of the single most important reasons why this particular bill is so important.

Our Association very definitely supports S. 2248, a bill to amend the International Travel Act of 1961 by authorizing \$8 million for fiscal 1981.

It is our view that S. 2248 may be needed if the House of Representatives fails to pass legislation similar to S. 1097, a bill, we favor. We are delighted that the distinguished Senator from Hawaii, and Chairman of this Subcommittee, has seen fit to take the initiative and offer S. 2248.

Frankly, appearing here makes me for the first time really understand the meaning of ambivalence.

While I am always honored to have the opportunity to appear before this distinguished body, my appearance today is not one that overjoys me.

Unlike Mr. Julianio, I have not been here 18 times, but I am thinking of getting an apartment nearby.

Having been integrally involved in the National Tourism Policy Study and having presented testimony in support of the bill, S. 1097, it is my belief that the development of a federally chartered non-profit corporation, whose aim would be to market America overseas, is still the wisest course of action our government could take. If S. 1097 can't be on board next year, then something along the lines of S. 2248 is needed in the interim.

The Chairman was absolutely correct when he stated in the Congressional Record for February 4, 1980, "Our purpose in enacting Public Law 96-85 was to assure a continued undiminished federal tourism promotional effort in designated international mar-

kets pending enactment of the more comprehensive effort embodied in S. 1097."

If this Administration is permitted to restructure the tourism program in the Department of Commerce along the lines portrayed in the Department's preliminary 1981 budget, they will be doing so in contravention of the best thinking of the Congress and the tourism industry. Last year, we both unanimously supported the concept of federal support for tourism promotion in designated market areas. The Administration's new approach is in our view exactly opposite of what is needed. We need sellers abroad, not more bureaucrats in Washington. Can one really believe that selling tourism in the competitive world atmosphere prevailing today can be done by attaches or "25 people"?

I am absolutely mystified by our government's lack of appreciation for the revenues provided it by international tourism.

At a time when our national leaders should be reviewing and strengthening government programs that work, e.g. tourism, 20 million visitors and over \$10 billion earned last year, and make them work even better, I find instead an attitude of "leave well enough alone." As one who has been in the tourism business for many years and thoroughly familiar with overseas business, I can assure you that the time to increase our marketing efforts is when the market is strong and the demand is present.

It is my understanding that U.S. citizen departure will exceed foreign visitor arrivals to the United States by nearly 2.9 million in 1979 and by one million expected in 1980, a reduction in balance of 11 and 65 percent respectively.

When one considers that America is for the majority of foreigners their number one destination, everything is pointing in our favor at this time. We should act now, and act aggressively, to increase our five percent share of the \$155 billion international tourism business.

I should also point out that while it is apparent that international tourism revenue is important to this nation from a balance of payments viewpoint, it is equally important to not lose sight of the fact that international tourism is a jobs producer. Approximately 300,000 Americans can thank international tourism for their jobs today.

Mr. Chairman, members of this subcommittee, it is my sincerest hope that this hearing be the catalyst to focus House attention on the need to move forward with legislation similar to S. 1097. If the National Tourism Policy Study made one fact absolutely clear, it is that international tourism is an important business for American, not only Pan Am, TWA, Hilton, Quality, et al. I am confident that we in the private sector will continue our efforts to encourage overseas visitors to our businesses.

But I am at a loss to think that this issue which is vital to the national interest may be weakened by our government.

At this time, I would be glad to attempt to answer any questions which the committee may have.

Senator INOUE. I thank you very much, Mr. McCarthy.

I would gather from your statement that you believe the time has come to act and not to study?

Mr. McCARTHY. Very definitely. You mentioned, Senator—if I may—that the study on tourism had a cost of approximately \$200,000. Having participated in that study, I am sure that that's the direct expense; and if you added to that cost the amount of travel time and the cost of the time of the many executives in the travel sector that contributed and participated, the cost of your study had a price taking far in excess of \$200,000.

Senator INOUE. The Travel Advisory Board will have about \$10,000 to conduct this study.

Well, Mr. McCarthy, I thank you very much. I am pleased to know we can look forward to seeing you much more often here.

Thank you, Mr. Chairman.

Senator INOUE. We next have a panel of the Discover America Travel Organizations led by the president of the organization, Mr. William D. Toohey, together with Mr. Norman J. Philion, executive vice president of the Air Transport Association of America; Mr. John de Lorenzi, the managing director of International and Corporate Policy, American Automobile Association; Mr. David Humphreys, chairman, American Recreation Coalition; Mr. Joseph Prendergast, president, American Ski Federation; Mr. Robert McGrail, chairman, Government Affairs, vice president/marketing, Quality Inns International; Mr. Robert J. Sullivan, past president, International Association of Convention and Visitors Bureaus; Mr. Thomas H. Gibson, chairman, Legislative Committee, National Caves Association; Mr. Hank Lindsey, commissioner, Kentucky Department of Tourism; Mr. George F. Wright, chairman, National Council of Travel Attractions; Mr. Charles Gillett, chairman, National Council or Urban Tourism Organizations; Mr. W. James Host, executive vice president, National Tour Brokers Association; and Mr. Robert Whitley, executive vice president, United States Tour Operators Association.

STATEMENTS OF WILLIAM D. TOOHEY, PRESIDENT, DISCOVER AMERICA TRAVEL ORGANIZATIONS, INC.; NORMAN J. PHILION, EXECUTIVE VICE PRESIDENT, AIR TRANSPORT ASSOCIATION OF AMERICA; JOHN DE LORENZI, MANAGING DIRECTOR, INTERNATIONAL AND CORPORATE POLICY, AMERICAN AUTOMOBILE ASSOCIATION; PAUL L. POWELL, CHAIRMAN, AMERICAN RECREATION COALITION; JOSEPH PRENDERGAST, PRESIDENT, AMERICAN SKI FEDERATION; ROBERT McGRAIL, CHAIRMAN, GOVERNMENT AFFAIRS, VICE PRESIDENT/MARKETING, QUALITY INNS INTERNATIONAL, HOTEL SALES MANAGEMENT ASSOCIATION; ROBERT J. SULLIVAN, PAST PRESIDENT, INTERNATIONAL ASSOCIATION OF CONVENTION & VISITORS BUREAUS; THOMAS H. GIBSON, CHAIRMAN, LEGISLATIVE COMMITTEE, NATIONAL CAVES ASSOCIATION; HANK LINDSEY, COMMISSIONER, KENTUCKY DEPARTMENT OF TOURISM, NATIONAL COUNCIL OF STATE GOVERNMENT TRAVEL OFFICES; GEORGE F. WRIGHT, CHAIRMAN, NATIONAL COUNCIL OF TRAVEL ATTRACTIONS; CHARLES GILLET, CHAIRMAN, NATIONAL COUNCIL OF URBAN TOURISM ORGANIZATIONS; W. JAMES HOST, EXECUTIVE VICE PRESIDENT, NATIONAL TOUR BROKERS ASSOCIATION; AND ROBERT WHITLEY, EXECUTIVE VICE PRESIDENT, UNITED STATES TOUR OPERATIONS ASSOCIATION

Mr. TOOHEY. Thank you, Mr. Chairman. As you have indicated, I am accompanied today by senior travel industry executives representing major component organizations of the travel and tourism industry of the United States. These executives endorse the general statement I am with to present and a few will wish to comment briefly in amplification of these remarks.

Others have prepared statements that, with your permission, they may wish to have entered into the record of these hearings.

Senator INOUE. Without objection, the record will be made open for that purpose.

Mr. TOOHEY. Thank you, Mr. Chairman. All the executives on this panel broadly representing the U.S. travel industry are prepared to answer questions that you may wish to ask.

In addition, Mr. Chairman, officials of the following travel industry associations who could not be present today have notified me of their endorsement of this testimony:

The American Bus Association; American Hotel and Motel Association; American Sightseeing International; American Society of Travel Agents; Conference of National Park Concessioners; Florida Caribbean Cruise Association; Gray Line Sightseeing Association; International Association of Amusement Parks and Attractions; the National Air Carrier Association; the National Council of Area and Regional Travel Organizations; the National Innkeeping Association; and the National Restaurant Association.

Every major component of the United States travel industry is represented on this panel or in support of this statement.

We would like to say at the outset that the travel industry on this occasion, as it has many times in the past, expresses its deep appreciation to you for your understanding of the industry and its contribution to this country, and for your continued efforts on its behalf. You have our gratitude.

Unfortunately, Mr. Chairman, as you well know, an understanding of this industry and its importance to America does not pervade this government. Therefore, it is necessary that we appear before you today in support of S. 2248 that your Subcommittee introduced in response to the administration's proposal to restructure the United States Travel Service—USTS—which in our collective judgment would substantially diminish the international travel promotion activities of the Federal Government.

The administration is proposing the elimination of the USTS as a separate agency within the Department of Commerce now headed by an assistant secretary and the transfer of certain of its functions to the International Trade Administration. This proposal ignores the action taken last year by unanimous vote of the Senate approving the National Tourism Policy Act, S. 1097.

This legislation culminated years of intensive study, led by the Senate Commerce, Science, and Transportation Committee, to determine how the federal role in tourism could be improved and could be made more responsive to the national interest. The study was thorough and sought industry views on the broadest possible basis. S. 1097 is now under consideration in the House where we all await timely action by that body.

In the meantime, the Office of Management and Budget has made its second attempt to diminish the effectiveness of the USTS and this is the second time legislation has been presented to counter such action.

Last year, S. 233 as passed by Congress, continued funding of the travel service for one year at a reduced level of \$8 million, pending resolution of the broader issues embodied in the National Tourism Policy Act.

The International Travel Act of 1961, enacted into law almost 20 years ago, clearly established the USTS as an agency of government to promote tourism from other countries to the United States.

But let there be no mistake about the views of the administration regarding this issue. Following congressional enactment of S. 233 last year, the President stated in signing the bill:

"At the beginning of the year, I recommended that the Service be eliminated, for its function can and should be performed by the private sector. I have not changed my view.

"I have signed S. 233, however, because the appropriations for the travel service have already been enacted as part of a separate bill."

Recently the Department of Commerce, apparently following directions from the OMB, has publicly stated that its proposed dismantling of the USTS and restructuring of its activities is designed to strengthen its effectiveness—effectiveness to do what?

Worthy of special comment is the proposal to reduce the number of personnel in USTS regional marketing offices from 45 to 25, and the claim that this would be more than offset by assigning tourism marketing responsibilities to 162 commercial attaches in 65 countries. Any professional travel marketer would wince at the naivete of this assumption. What the OMB clearly looks forward to is the day when the number of professional marketing personnel in USTS regional posts is reduced to zero.

To illustrate further, the proposed budget would eliminate the International Congress Office—established to encourage and facilitate the scheduling of international conventions and congresses in the United States.

Frankly, Mr. Chairman, our patience in this matter is wearing thin. We strongly disagree with the administration's position and rationale and extend our support of S. 2248.

We do not believe it is necessary to re-state here in detail what we perceive the proper role to be for the Federal Government in the field of tourism. As an industry, and as individuals representing its major components, we have participated in the exhaustive National Tourism Policy Study and have addressed this issue for the past six years. Our views are amply on the record. We support S. 1097 and look forward to its early passage in the House.

Further, we see no purpose to be served by a further study to seek industry views on whether a federally chartered corporation is the most effective way for the Federal Government to carry out a national tourism policy and, among other things, to substantially increase its foreign exchange earnings from international tourism. The travel industry is clearly on the record in support of this concept, and we reiterate that support again today.

We see this corporation as a federally funded entity, designed to carry out the federal program. We see it operating most effectively with management assistance from industry professionals who serve the government on its board of directors at the pleasure of the President.

The pending legislation, S. 1097, clearly reflects the national interest in strengthening the domestic and foreign commerce of the United States. Encouraging foreign residents to visit this country is an important way to achieve that goal. The expenditures of foreign visitors impact significantly on the national economy, creating jobs and generating tax receipts.

In 1979, international tourism receipts for the United States were \$10 billion, which sustained at least 300,000 jobs in travel-related enterprises, which are largely small businesses. These receipts generated \$1.2 billion in federal, state and local taxes. Travel promotion clearly is not an "end in itself" expenditure, but a prudent investment.

The USTS as a separate agency of Commerce, and its system of foreign field offices, should neither be dismantled nor weakened before pending legislation is enacted recognizing an effective and responsive federal commitment to tourism. S. 2248 provides the necessary maintenance of existing programs and adequate time for an orderly transition to a new federal tourism policy and the coordinating and implementing mechanisms to carry out that policy.

Mr. Chairman, that concludes my statement on behalf of the travel industry, and with your permission, I would like to call on members of our industry panel for brief comments they wish to make. We also will be pleased to answer any questions you may wish to ask.

Thank you.

Senator INOUE. Do you have any further statements?

Mr. TOOHEY. Mr. Chairman, Mr. Hank Lindsey, commissioner of the Kentucky Department of Tourism, is here this morning representing the National Council of State Government Travel Offices.

Senator INOUE. I welcome you, sir.

Mr. LINDSEY. As he said, I'm Hank Lindsey. I am a commissioner of the Kentucky Department of Tourism. I'm here representing the National Council of State Travel Directors.

Since I'm here on behalf of all of the state travel directors, I'll not unnecessarily dwell on my home state. Unlike most of the people on this panel, I am in a unique position. I am a government person. I represent a state government involved in international tourism promotion as many state governments in the country are and not directly in the tourism business per se.

Kentucky, like so many other states, has made a commitment to the continued development of the tourism industry. That commitment includes the elevation of tourism to cabinet level status within government and the opening of a foreign tourist office.

Throughout this country, tourism is the one industry that is most expandable and has the greatest potential for further development. One day we will reach our limits in crop production, our manufacturing industries will have peaked and our coal will be gone. However, our Grand Canyons, our Mammoth Caves, our Basin Streets will always be here.

All of our natural and cultural attractions need only to be promoted—to the right people in the right places—those people and those places today are in the overseas market.

Kentucky and 21 other states have already made the commitment to capitalize on the foreign market. With a total of 26 offices overseas, our various state governments are attempting to fill the gaps that exist even with the current USTS system; we're trying to capitalize on the groundwork that the USTS is doing.

The tourism industry has always been one of partnership—close cooperation among the private, state, and federal sectors. With the Commerce Department's current proposal to reduce the USTS staff overseas, this is one time the federal sector is about to let its two partners down. I can tell you firsthand that one state or a group of states simply cannot afford to staff and operate in six different countries like USTS does. While all the states want to continue promoting foreign sales efforts, there's no way that any one of us can promote the concept of travel throughout the entire country.

The United States is being outspent and out-promoted by most every other tourism destination in the world. The devalued dollar, coupled with the lower international air fares makes foreign travel to this country a unique bargain—but we must continue to sell.

Now is not the time for a reduction in the USTS overseas forces. Oh, we know the Department of Commerce proposes to use trade attaches to "promote" tourism overseas. But, really now, can this country's tourism industry's best interest really be served by attachés whose primary purpose is to export rather than import people?

It's hard for me to believe we are all here today having to beg for a continuation of the status quo. In business, when you stay the same, you fall behind. Without House passage of S. 1097, we will fall further behind, and without passage of S. 2248 in the mean-

time, we might as well forget about having significant impact in the foreign market.

It has always been our philosophy that the workers should be where the action is. In tourism promotion, and particularly international promotion, Gentlemen, the action simply is not in Washington.

Thank you all very much.

Senator INOUE. Mr. Lindsey, I thank you very much. Am I correct to assume that your organization, the National Council, supports the passage of S. 1097?

Mr. LINDSEY. Yes, sir.

Senator INOUE. Mr. Toohey, are you aware of any organization related to tourism or travel which is opposed to S. 1097?

Mr. TOOHEY. Mr. Chairman, I know of no travel industry organization on a national, regional, State, or local basis that has opposed S. 1097. There may be some individuals in this travel industry with one and a half million businesses that oppose it, because they don't understand it; but I know of no organized travel industry group that has opposed the passage of this bill.

I think that is significant.

Senator INOUE. One other question: It's been suggested that the Department of Commerce has conferred with members of the industry before coming up with their program. Are you aware of anyone in your organization who has met with the Department of Commerce?

Mr. TOOHEY. No one in our organization or any other organization that I know of has met with the Department of Commerce to discuss substantial changes in the USTS presence or programs.

Senator INOUE. Thank you. Do you have others?

Mr. TOOHEY. Mr. Chairman, Mr. George Wright, director of travel for Colonial Williamsburg Foundation and chairman of the National Council of Travel Attractions has a brief comment.

Mr. WRIGHT. Mr. Chairman, we appreciate being here today. I would like to concur with what Mr. Toohey has said in his statement.

We support not only S. 2248, but, of course, we support and I am here in support of S. 1097.

I would just like to call the Committee's attention to one portion of Mr. Toohey's statement, that section where he quoted the President. "At the beginning of the year I recommended that Service be eliminated for its function can and should be performed by the private sector. I have not changed my view."

Mr. Chairman, this view is just not realistic. The National Council of Travel Attractions—and we talk about travel being divergent, the National Council is comprised of business that are probably the most divergent of all. We have 20 percent natural scenic attractions; we have historic sites and restorations; we have indoor and outdoor museums; theme parks; theaters of many types. There are a number of other different kinds.

Sixty percent of these, Mr. Chairman, attract less than half a million people a year. That would qualify them, I think, as a small business.

Those with smaller attendance, of course, and smaller promotion budgets consequently cannot be expected to make an individual

world-wide effort. They can benefit from this international advertising, of course, even though they are limited to cooperative programs.

The National Council of Travel Attractions believes that the promotion of international tourism is a proper function of the Federal Government.

Though our larger attractions take an active role overseas, they still follow the same path that's open to the smaller attractions. That is, they engage in cooperative efforts and follow the leadership of the USTS around the world. We need on-going promotion, advertising, public relations of the United States Travel Service, I think more than ever, Mr. Chairman, particularly at this time of uncertain gasoline supplies and rising inflation on the domestic travel scene.

I thank you, sir.

Senator INOUE. I thank you very much, Mr. Wright. I have just one question. Maybe Mr. Toohey can respond to this.

Are you aware of any country whose government is not involved in the promotion of tourism? I speak of any country, socialist or otherwise; democratic.

Mr. TOOHEY. I would be hardpressed, Mr. Chairman, to name a country where international tourism does not occupy an important place on that nation's agenda.

Senator INOUE. In fact, with the major industrialized countries, they are much deeper involved than the United States, and most of them have cabinet or ministerial rank.

Mr. TOOHEY. They do. In countries that are not as advanced as ours with greatly diversified economies, tourism enjoys an even more important place because it is much easier to understand its benefits.

As Herman Kahn has said, tourism will be the greatest single hope for the economic development of third world countries. Many of them are now placing great emphasis on increasing their international tourism programs.

Senator INOUE. Thank you.

Mr. TOOHEY. Mr. Jim Host, the executive vice president of the National Tour Brokers Association, has a comment.

Senator INOUE. Welcome, sir.

Mr. HOST. I am Jim Host, executive vice president of the National Tour Brokers Association, Inc. I am accompanied by our president, Earl Harmon, of Boise, Idaho. We speak for the over 1,500 members of NTBA, among whom are the leading packagers of group motorcoach transportation for inbound groups from overseas countries.

We commend you, Mr. Chairman, and your Committee for taking an immediate step through this bill to stop yet another example of the complete lack of understanding by this administration as to the economic impact of tourism on our people.

Our association is in the process of waging an extensive program with our members toward educating them on how to handle the group international traveler. The USTS overseas offices have been invaluable in helping us identify tour operators who are bringing tourists to this country so we may help them when they get here.

We can't afford the costs, therefore, of educating 162 new commercial attaches on domestic group tours when it is recognized worldwide that we already have some of the top people in the tourist world representing this country overseas on behalf of the USTS.

These are people who have been in the business of identifying where potential tourists are coming from. Some of these employees have over 20 years of experience; yet the administration wants to bring some of them back to Washington to study the issue.

Mr. Toohey stated earlier that the approach the administration was taking was naive. I would like to take it one step further and call it just plain stupid.

The president's chief domestic adviser told us recently that tourism meant 7 percent of the gross national product. If my math is correct, then the failure of the tourism industry would be considerably more than Chrysler's failure, which the taxpayer is now supporting.

I doubt if we can count on the administration for like taxpayer support for us.

We agree, therefore, that it is extremely important for the House to adopt this version of the national tourism policy this year; and there is no question we are behind you, Mr. Chairman, your Committee, in assisting you in helping accomplish this goal.

Senator INOUE. Thank you very much, Mr. Host.

Mr. TOOHEY. Mr. Chairman, one point I might make here that would add to the discussion. Relative to this reduction of personnel in overseas offices, I wish to amplify on Mr. Host's comments about the professional USTS people in regional marketing offices overseas.

If those personnel are reduced, it will leave a skeletal personnel situation. What will result is that people who are skilled travel marketers, paid a respectable salary, will be doing clerical work because there simply aren't sufficient people to answer the demand that is generated in those markets.

You will have people earning \$40,000, \$50,000 a year who are mailing out brochures. That's an enormous waste of talent and an enormous waste of money.

Finally, Mr. Chairman, Mr. Robert Whitley, executive vice president of the United States Tour Operators Association, has a comment.

Mr. WHITLEY. Mr. Chairman, I will be brief. My comments that I wanted to make today have been so aptly made by Mr. Toohey and Mr. Colussy, especially by the timing the United States is in as far as travel to the United States.

USTOA is a national organization of wholesale tour operators, United States companies, who package tours for Americans to travel domestically and travel internationally.

We are also very much involved especially as of late with the economic situation, the fact the United States is such a good buy, in packaging America for international travelers to come in. For the record, we wholeheartedly endorse S. 1097.

Not to repeat the other speakers, we endorse all of our colleagues statements today. Common sense and good business sense just doesn't apply to the administration's proposal. It is foolish to think

that our efforts will be enhanced abroad on a federal level. They will be just diluted.

Mr. TOOHEY. Mr. Chairman, we thank you very much.

Senator INOUE. Then you would consider that notwithstanding the demands upon the tax dollar by a million and one special interests, this is money well spent?

Mr. WHITLEY. It is invested with a great return.

Senator INOUE. Is Mr. Gillett with us?

Mr. GILLETT. Here.

Senator INOUE. You are on the TAB, are you?

Mr. GILLETT. Yes, I am, Senator.

Senator INOUE. You know of the suggestions that the TAB be called upon to make this special study to determine whether the quasi-public corporation is feasible.

How would you react to that directly?

Mr. GILLETT. I find it completely unnecessary. I think it has been stated here several times that studies have been made over and over again, comprehensive studies. I find little use to go into the subject once more for a delaying action.

I would like also to comment on the fact that it seems that there's definitely a loud chorus here saying the same thing as to what we are trying to achieve. Everybody said they have said this over and over again; some of the speakers have repeated what other speakers have said.

I'm not too discouraged. I feel that repetition is the essence of all learning; and maybe we have said this five or six times. We may have to say it 10 or 12 times. I think we are united in our effort to say it. I think it is urgent that we say it.

Senator INOUE. That's why I asked the question. I am going to ask Mr. Philion the same question. I assume the answer would be the same? You are on the TAB also?

Mr. PHILION. Yes, sir, Mr. Chairman. I agree with the remarks of Mr. Sullivan, Mr. Julian, and Mr. Gillett.

I think we have all testified on numerous occasions before this Subcommittee and other Committees of Congress on this subject. I think this matter has been studied as long as it needs to be studied. We would certainly hope that S. 1097 can be enacted just as soon as possible. The airline industry of this country strongly supports it.

On the other hand, we think you ought to move forward with S. 2248 because I am still concerned—and listening to the testimony of the Secretary this morning, it is far from clear, at least to me, what the real intentions of the Department are in connection, for example, with the reduction in the staff overseas. I don't think you have a commitment from the Secretary this morning. At least I didn't hear one.

The restructuring that appears to be a part of the Department's plan is of concern to us.

Senator INOUE. Any others wish to make statements?

Mr. SULLIVAN. Senator, I think there is one thing I would like to add. That is that we are very concerned about this year. Business is off; the economy is bad for travel. People are losing their jobs; they are being laid off. Because of the work of the United States

Travel Service over the past years, we have a great cadre of foreign visitors coming to the United States.

In the case of San Francisco it now amounts to 30 percent of our total volume that can be attributed to international visitors. If anything disrupts that this year there will be serious economic consequences, not only for San Francisco but for the whole country.

This is not the time to study, to restudy, to move people back from overseas in the marketplace, to do more work in Washington. This is the time to redouble our efforts in what we are currently doing to assure the jobs that are currently being fulfilled by tourism and to enhance them, if possible.

Senator INOUE. Thank you very much.

Mr. TOOHEY. Thank you very much.

[The statements follow:]

STATEMENT OF WILLIAM D. TOOHEY

Mr. Chairman, my name is William D. Toohey, and I am President of Discover America Travel Organizations, a Washington-based nonprofit membership association representing the common interests and concerns of the United States travel industry.

I am accompanied today by senior travel industry executives representing major component organizations of the travel and tourism industry. These executives endorse the general statement I am about to present and several will wish to comment briefly in amplification of these remarks. Others have prepared statements that they may wish to have entered into the record of these hearings. All are prepared to answer questions that you or members of your Subcommittee may wish to ask.

We would like to say at the outset that the travel industry on this occasion, as it has many times in the past, expresses its deep appreciation to you for your understanding of the industry and its contribution to this country, and for your continued efforts on its behalf. You have our gratitude.

Unfortunately, Mr. Chairman, as you well know, an understanding of this industry and its importance to America does not pervade this government. Therefore, it is necessary that we appear before you today in support of S. 2248 that your Subcommittee introduced in response to the Administration's proposal to restructure the United States Travel Service (USTS), which in our collective judgment would substantially diminish the international travel promotion activities of the Federal government.

The Administration is proposing the elimination of the USTS as a separate agency within the Department of Commerce now headed by an Assistant Secretary and the transfer of certain of its functions to the International Trade Administration. This proposal ignores the action taken last year by unanimous vote of the Senate approving the National Tourism Policy Act (S. 1097).

This legislation culminated years of intensive study, led by the Senate Commerce, Science and Transportation Committee, to determine how the Federal role in tourism could be improved and made more responsive to the national interest. The study was thorough and sought industry views on the broadest possible basis. S. 1097 is now under consideration in the House where we all await timely action by that body.

In the meantime, the Office of Management and Budget (OMB) has made its second attempt to diminish the effectiveness of the USTS and this is the second time legislation has been presented to counter such action.

Last year, S. 233 as passed by Congress, continued funding of the travel service for one year at a reduced level of \$8-million, pending resolution of the broader issues embodied in the National Tourism Policy Act.

The International Travel Act of 1961, enacted into law almost twenty years ago, clearly established the USTS as an agency of government to promote tourism from other countries to the United States.

But let there be no mistake about the views of the Administration regarding this issue. Following Congressional enactment of S. 233 last year, the President stated in signing the bill:

"At the beginning of the year I recommended that the Service be eliminated, for its function can and should be performed by the private sector. I have not changed my view.

"I have signed S. 233, however, because the appropriations for the travel service have already been enacted as part of a separate bill."

Recently the Department of Commerce, apparently following directions from the OMB, has publicly stated that its proposed dismantling of the USTS and restructuring of its activities is designed to strengthen its effectiveness—effectiveness to do what?

Worthy of special comment is the proposal to reduce the number of personnel in USTS regional marketing offices from 45 to 25, and the claim that this would be more than offset by assigning tourism marketing responsibilities to 162 commercial attaches in 65 countries. Any professional travel marketer would wince at the naivete of this assumption. What the OMB clearly looks forward to is the day when the number of professional marketing personnel in USTS regional posts is reduced to zero.

To illustrate further, the proposed budget eliminated the International Congress Office—established to encourage and facilitate the scheduling of international conventions and congresses in the United States.

Frankly, Mr. Chairman, our patience in this matter is wearing thin. We strongly disagree with the Administration's position and rationale and extend our support of S. 2248.

We do not believe it is necessary to re-state here in detail what we perceive the proper role to be for the Federal government in the field of tourism. As an industry, and as individuals representing its major components, we have participated in the exhaustive National Tourism Policy Study and have addressed this issue for the past six years. Our views are amply on the record. We support S. 1097 and look forward to its early passage in the House.

Further, we see no purpose to be served by a further study to seek industry views on whether a federally chartered corporation is the most effective way for the Federal government to carry out a national tourism policy and, among other things, to substantially increase its foreign exchange earnings from international tourism. The travel industry is clearly on the record in support of this concept, and we reiterate that support again today.

We see this corporation as a federally funded entity, designed to carry out the federal program. We see it operating most effectively with management assistance from industry professionals who serve the government on its Board of Directors at the pleasure of the President.

The pending legislation, S. 1097, clearly reflects the national interest in strengthening the domestic and foreign commerce of the United States. Encouraging foreign residents to visit this country is an important way to achieve that goal. The expenditures of foreign visitors impact significantly on the national economy, creating jobs and generating tax receipts.

In 1979, international tourism receipts for the United States were \$10 billion, which sustained at least 300,000 jobs in travel-related enterprises, which are largely small businesses. These receipts also generated \$1.2 billion in Federal, state and local taxes. Travel promotion is not an "end in itself" expenditure, but a prudent investment.

The USTS as a separate agency of Commerce, and its system of foreign field offices, should neither be dismantled nor weakened before pending legislation is enacted recognizing an effective and responsive Federal commitment to tourism. S. 2248 provides the necessary maintenance of existing programs and adequate time for an orderly transition to a new Federal tourism policy and the coordinating and implementing mechanisms to carry out that policy.

Mr. Chairman, that concludes my statement on behalf of the travel industry, and with your permission, I would like to call on members of our industry panel for brief comments they wish to make. We also will be pleased to answer any questions you may wish to ask.

Thank you.

STATEMENT OF NORMAN J. PHILION, EXECUTIVE VICE PRESIDENT, AIR TRANSPORT ASSOCIATION OF AMERICA

My name is Norman J. Philion. I am Executive Vice President of the Air Transport Association of America, which represents virtually all of the scheduled airlines of the United States. A list of our member airlines appears in the attachment. Since 17 of these airlines provide regularly scheduled air passenger service between the United States and 72 foreign countries, we have a deep interest in national policies affecting international travel.

We appreciate the opportunity to present the views of the airline industry on S. 2248 and related issues. Briefly stated, we endorse this bill under the same circumstances, and for the same reasons, we supported S. 233 last year—that is, as a stopgap measure which may be necessary pending final Congressional action on the long-considered National Tourism Policy legislation, and to prevent a disruption of the U.S. Travel Service overseas promotion program in the interim.

The potential need for legislation like S. 2248 arises for the second consecutive year because of proposals emerging from the budget message which would significantly alter the national tourism program. These proposals once again reflect decisions apparently reached by the Department of Commerce and others in the Executive branch without regard to long-standing Congressional policy direction, and without public discussion or consultation.

The budget message asserts that the tourism development programs of the U.S. Travel Service are to be transferred to the International Trade Administration at about the same level of overall funding and personnel authorized last year. While the effect of such a transfer, in our opinion, would be to downgrade the national tourism program contrary to the International Travel Act of 1961 and its successor, the pending National Tourism Policy Act, the budget message implies that only a straightforward transfer of functions may be involved. There is no hint in the message about broad policy changes, or of program restructuring, or of a shift in priorities, or of a redeployment of staff and budget resources. Nor is there any mention of possible conflicts with existing law or Congressional policy.

We are concerned, however, about these conflicts and the intentions apparently underlying the budget message proposals. We understand, for example, that the underlying plan may involve a contraction of overseas promotional endeavors and a substantial shift of personnel allocations from the overseas offices to Washington. Having a higher number of headquarters personnel than production line staff in this circumstance is difficult enough to justify, but the ratio of 2 to 1 apparently being considered makes no sense at all. It is in direct conflict with the direction specifically given in this regard by the Congress last year when S. 233 was enacted.

Moreover, we understand that an even greater part of the overall budget is intended to be earmarked for administrative activities in Washington instead of being used for essential overseas promotional efforts where it would produce more meaningful results. As this Subcommittee has concluded on numerous occasions, a stronger, not weaker, overseas program is urgently needed. The role of headquarters is to support that program, not the reverse.

The plan apparently also contemplates the possible use of commercial attaches in some kind of a part-time supplementary tourism promotional role. There should be serious misgivings about this proposal not only because of the practical problems inherent in the differing responsibilities, assignments and priorities of the personnel involved, but also because of the demonstrated need for dedicated, professional tourism promotion experts to conduct overseas promotion programs in the highly competitive, highly organized international travel market.

Proposals and plans of this kind clearly illustrate the importance of S. 1097, the National Tourism Policy Act which passed the Senate last May after extensive hearings, and after several years of thorough study under the leadership of this Subcommittee and its Chairman. Enactment of S. 1097 would resolve, once and for all, any possible questions or differences of opinion of Congressional intent, the requirements of law, and the steps necessary to implement national policy.

S. 1097 remains under House Subcommittee consideration, however, notwithstanding the near unanimous support it received during House hearings last summer. We hope the years of study given this legislation can be concluded soon, and we hope the budget message proposals will help prompt early final action. But if there is any further delay on S. 1097, enactment of S. 2248 will become necessary to assure continuation of the U.S. Travel Service overseas program during fiscal year 1981 on the same basis as provided in last year's stopgap measure, S. 233.

Accordingly, the airlines join with other elements of the travel and tourism industry of the United States in urging your favorable consideration of S. 2248.

STATEMENT OF JERRY C. CONNORS, MANAGING DIRECTOR, GOVERNMENT AFFAIRS
DEPARTMENT, AMERICAN AUTOMOBILE ASSOCIATION

The American Automobile Association appreciates this opportunity to present our views on S. 2248, a bill to authorize the United States Travel Service to operate at the same staff and funding levels in fiscal year 1981 that it did in fiscal year 1980. We respectfully request to have this letter incorporated into the record of the

March 5, hearing before the Subcommittee on Merchant Marine and Tourism on S. 2248.

AAA is a federation of 198 motor clubs with 976 offices serving 21 million members. Our bylaws require us to work for the welfare of our members and for the car-owning and traveling public at large.

While AAA supports S. 2248, it is an unfortunate situation for the tourism industry once again to be defending itself against a seemingly pervasive administration attitude that federal government expenditures to promote travel to the U.S. are a waste of money and should be curtailed.

Why the tourism industry continually finds itself in the position of having to convince the federal government of its importance to the economy is a mystery, particularly when considering that in 1979, \$10 billion in international tourism receipts for the United States generated \$1.2 billion in federal, state and local taxes.

Furthermore, a total employment in the tourism industry represents nearly 7 percent of the total U.S. workforce. Many employed by the tourism industry are people who historically constitute the highest unemployment categories—minorities, the unskilled and semi-skilled, youth, and women.

In a time when the U.S. government is seeking to balance its budget and lessen its balance-of-trade deficits, it is remarkable that an agency that reaps approximately 18 dollars for every dollar it spends on promoting tourism abroad faces cutbacks in its overseas expenditures.

In appropriating funds for the USTS in 1980, Congress wisely mandated that the USTS Washington staff be reduced by 60 percent so that the agency would have more of its staff overseas—where it is needed the most. The administration's FY 1981 USTS budget proposal, however, adds staff to the Washington office, at the expense of the overseas offices. Besides being contrary to the specific mandate of Congress, this proposal presents an unrealistic, impractical, and naive American response to the international tourism market.

In 1979, world travel expenditures were estimated to have reached \$504 billion. There are a great many countries which consider tourism to be a major revenue-producer and which aggressively vie for as much of that \$504 billion as they can get. They maintain offices all over the world in order to promote travel to their countries. Many have ministers of tourism—cabinet-level officers—to promote inbound travel.

Our government, on the other hand, not only proposes submerging tourism promotion within our overall international trade development program, but also reducing the number of personnel assigned to overseas offices to sell the United States as a tourist destination.

The administration proposes using former State Department commercial attaches, who will be transferred to the Commerce Department, to take on the responsibility of promoting travel to the U.S. This responsibility would be in addition to their other tasks, such as providing American business executives assistance in dealing with the often confusing trade regulations in foreign countries. It is not difficult to see that travel promotion will not be viewed by these officers as a responsibility requiring immediate and full attention.

AAA believes, therefore, that the Administration has acted imprudently in its proposals for the FY 1981 USTS budget and USTS reorganization. At the same time, S. 2248 cannot be regarded as the final word on tourism promotion. Until a reasonable, responsible, and proper approach to government involvement in tourism promotion can be agreed upon, however, AAA feels that S. 2248, by maintaining the status quo in the USTS, is the best course of action in the interim.

STATEMENT OF CHARLES GILLETT, PRESIDENT, NEW YORK CONVENTION AND VISITORS BUREAU, AND CHAIRMAN, NATIONAL COUNCIL OF URBAN TOURISM ORGANIZATIONS

Mr. Chairman, members of the Subcommittee on Merchant Marine and Tourism of the United States Senate Committee on Commerce, Science and Transportation.

My name is Charles Gillett and I am President of the New York Convention and Visitors Bureau. I also am Chairman of the National Council of Urban Tourism Organizations. The Council is an organization linking the 175 tourism marketing organizations in cities in the United States. These organizations are members of the International Association of Convention and Visitor Bureaus and other urban tourism entities which belong to the Discover America Travel Organizations. The Council thus speaks for the major urban tourism centers throughout the nation. I am also a member of the Travel Advisory Board of the United States Department of Commerce.

Today I am privileged to appear before this committee to comment from the perspective of the urban areas—the centers of tourism in the United States—on S. 2248. This bill would authorize the United States Travel Service (USTS) to operate at the same staff and funding levels in fiscal year 1981 that it did in 1980.

We are indebted to Senator Howard Cannon, Senators Daniel Inouye, Russell Long, and John Warner. By introducing this bill, the members of the committee are once again attesting to the importance of tourism as a national resource.

Legislation to enact a National Tourism Policy Act has been passed unanimously in the Senate and is pending in the House of Representatives. The bill under discussion today would simply hold off the further erosion of the United States Travel Service until the National Tourism Act can be passed by the House. S. 2248 merits vigorous support and is in the interest of the nation's urban tourism destinations.

The New York Convention and Visitors Bureau has been actively and deeply involved in building Visit U.S.A. traffic for nearly two decades. Today, New York City is the number one gateway for visitors from overseas. New York is host to more than 30 percent of all overseas visitors to the U.S. Many of these guests from abroad go on to other U.S. destinations. Many of my colleagues in urban tourism have long recognized the potential of the overseas market for many years and we all have committed time and resources to it.

From our experience in building visitor traffic from abroad, we know that the people and programs of the USTS can be most productive operating overseas—not in Washington. That is also the conclusion of the sponsors of S. 2248 and it is consistent with previous legislation voted by the Senate that this bill be enacted.

I would like to state that I am distressed that there is under consideration at the administrative level a program to further dilute our current minimal overseas tourism program by delegating tourism promotion activities to Department of Commerce commercial officers abroad. These officers have neither the professional training nor the time and motivation to take on what they most likely will regard as an intrusive chore. This idea is based on theory rather than experience but, in truth, it is an unworkable and unrealistic concept.

The federal budget also proposes elimination of the United States office for the solicitation of international conventions. The USTS has invested years of effort in building convention business to the United States and this is an important aspect of total visitor traffic. The market is particularly ripe for delegates attending U.S.-based conventions. To eliminate this sales effort is another example of lack of understanding of the basics of marketing the U.S. visitor product abroad.

Generating business from overseas is the key to building increased returns from our nation's tourism investment. The United States has thousands of highly successful professional local and regional organizations that do an excellent job in marketing tourism domestically. On the other hand, this is a big country with diverse tourism attractions and a nationwide approach to marketing tourism abroad can be achieved only with strong federal support.

Now, for the first time, through the National Tourism Policy Act we have defined a sound approach toward an effective overseas marketing program for the U.S. tourism product. The time is right to transform this policy into an action program implemented by the United States Travel and Tourism Development Corporation with a mandate that will make it a productive, highly competitive marketing organization. The market abroad for travel to the U.S. is ripe for converting years of development effort into real heavy visitor business for the U.S. with vast benefits to localities throughout the country and the balance of payments.

At a time when prospects to capitalize on foreign visitor business are so bright, we need the USTS—even in its present skeleton form. And, the legislation before this committee fills the gap until the Tourism Policy Act becomes a reality. S. 2248 is responsive to both the national interest and the current realities of effectively marketing U.S. tourism abroad.

Thank you.

Senator INOUE. Our next witness is Mr. Roger P. Biver, president, Sun USA in Scottsdale, Arizona. He is formerly the USTS regional director from London. Welcome.

STATEMENT OF ROGER P. BIVER, PRESIDENT, SUN USA INC.

Mr. BIVER. Good morning, Mr. Chairman. I have a prepared statement which with your permission I would like to introduce into the record.

Senator INOUE. Without objection, so ordered.

Mr. BIVER. I would also like to make a statement as a result of things that were said this morning, particularly with regard to what the Secretary of Commerce said regarding tourism being an export function.

I would strongly urge that you and everyone else in this room consider that although tourism is an export industry as far as the balance of trade is concerned, the revenue-producing element is the foreign customer who travels to the United States. Hence, contrary to other export industries where the goods are produced here and sold and consumed abroad, in tourism—as it is in international convention promotion—the goods, so to speak, are produced and sold abroad and consumed in this country.

It is this vital difference, the production of a multitude of tourism ingredients, which necessitates the presence abroad of knowledgeable experts; and for the same reasons, the ITA machinery abroad would be quite useless.

What I am saying is you cannot sell the United States as a tourism destination by having lots of staff in Washington. It is not possible.

Furthermore, I am saying that the private sector, by its very nature, the size of the private sector, just looking at the panel you had just previous to my appearance, is such that it is technically impossible to sell the United States of America as a destination for tourism by remote control or only with the private sector.

I have one other item I would like to mention, Mr. Chairman. After I heard the comments this morning, almost no one—in fact, I don't remember anyone saying anything about servicing the industry.

The USTS has for the last 17 years developed an industry, we have turned a corner, come a long way; and myself, as the past director in London, I have noticed that we have a four-fold increase in activity; and the staff remains basically the same, or has been reduced.

If we cannot service what we have sold, that industry again will suffer. The whole effort will collapse. By servicing, I mean requesting foreign tour operators to do a program on the United States, spending their money.

Then after they have spent their money and their effort, they suddenly find that the U.S. Government tourism office is no longer in a position to give any support materials or other support for the promotion of those programs. Then you have actually countersold yourself.

Then you start creating ill will in the industry and you do nothing but hurt the previous effort. So all of the millions of dollars we have spent the last 17 years, to my mind, would be totally wasted because those people who have been putting their faith in us will suddenly say, "All they wanted is our money; now we are in this thing, we have to swim alone."

I will now answer any questions you may have, Mr. Chairman.

Senator INOUE. I think your last observation is most appropriate and important. I must say this committee has not really emphasized that; but I think it makes a lot of sense that if we don't continue with this service aspect, we will lose business.

If I were a tour operator in Germany who was enticed to get into the American market and suddenly found that you people were out of business, nowhere else to go, I might decide to go elsewhere.

Do you believe that the commercial attache or the commercial aide can do the job that you people have been performing?

Mr. BIVER. No. They couldn't do our job any more than I could do their job. If I were sent overseas to sell industrial exports, I wouldn't know where to begin. It's the same for them.

Senator INOUE. I presume that in your assignment in London you had the occasion of meeting with commercial attaches?

Mr. BIVER. Oh, yes, sir. I know them quite well.

Senator INOUE. I would assume you know something about their scope of activities?

Mr. BIVER. Yes.

Senator INOUE. Knowing that, would you say that tourism would be given much time?

Mr. BIVER. Maybe 1 percent, if you push it.

Senator INOUE. 1 percent?

Mr. BIVER. That would be if we were really very lucky. They are extremely overworked as it is now. Their staffs have been shrunk and shrunk. Most importantly, they don't understand tourism. They really do not wish to get involved with it.

Senator INOUE. I'm aware that our embassies abroad play an extremely important role in representing our interests there. They have to be concerned with the plight of individual citizens abroad, matters of foreign policy, et cetera, et cetera, et cetera.

In your dealings with embassies abroad, have you concluded that our embassies place tourism rather high on their priority list?

Mr. BIVER. As a rule no. There would be exceptions. I would like to name the exceptions. I can tell you why the exceptions came about.

The Hague in The Netherlands is an exception. First of all, the ambassador is very receptive to the idea. Secondly, people actually come pounding at the doors demanding assistance for tourism. Since there is no one else they could refer them to at that particular embassy the commercial attache does spend a considerable amount of his time in at least filling the gap and complaining to the USTS all the time about too much work to do.

Senator INOUE. So your conclusion is that our commercial attaches, no matter how sincere they are will not be able to represent our tourism interests abroad?

Mr. BIVER. No, Mr. Chairman. They really couldn't. Look at the background of a commercial attache. Most of these people right now come from the Foreign Service. Their intent was to join the Foreign Service and do whatever our government needs to have done overseas. Some of them drifted to economic offices. They are really not equipped—they are not businessmen by profession.

If they were, they have such a vast area of industries to represent that they are really not equipped to give attention to any industry in particular.

As I said a while ago, tourism being such a totally reversed industry, where really the production of the goods takes place overseas—production of goods, I mean the development of the tour ideas, the development of the travel ideas is really done overseas.

There is, to my knowledge, not a single Foreign Service Officer or commercial attache in the whole U.S. Government who has any knowledge on how to do that.

We can train them; intelligent people can be trained; but that would take a year or two. By that time we would have missed the mark.

Senator INOUE. You are just saying there isn't a single commercial attache qualified to do this work?

Mr. BIVER. Who could do the job the USTS people are doing; no, there is not a one.

Senator INOUE. With that, I would like to thank you for taking the time to come here, sir.

Mr. BIVER. Thank you.

[The statement follows:]

STATEMENT OF ROGER P. BIVER, PRESIDENT, SUN USA, INC.

Mr. Chairman, my name is Roger P. Viver and I am President of Sun USA, Inc., an Arizona Corporation providing international business and professional services to the tourism industry. Last January I resigned as Director of the United States Travel Service in London, because I had progressively become disaffected with the Administration's tourism policies; I believe these present policies to be harmful to our tourism industry.

It is an established fact that international tourism generates billions of dollars of revenue to a broad spectrum of tourism and tourism-related industries in the United States, produces employment for hundreds of thousands of people and millions of dollars of tax revenues to Federal, State and local Governments.

It is also an established fact that the United States has become an affordable tourism destination for millions of people from other countries who traditionally are spending their vacation dollars elsewhere.

A sensible course of action for this country would be to make a maximum effort and capture these lucrative foreign travel markets. By so doing we would create more employment at home and generate tax revenues multifold to the proposed budget expenditures.

The Administration however feels differently. Under their "restructured tourism programs" the Commerce Department is proposing to reduce the USTS staffs in our most lucrative foreign markets by almost 50 percent. This at a time when we are finally turning the corner and when a strong USTS presence is absolutely necessary just to keep the momentum going and to service the markets which have been opened up. Any suggestion to the contrary reveals a total lack of knowledge and understanding of this industry, or for that matter of the most basic marketing principles.

The Department of Commerce claims that their new programs are designed to "more responsibly and effectively support the tourism industry". To do so, they are proposing to create a new "policy and program direction" office in Washington, employing 18 people and costing \$730,000 a year. . . . to provide this industry with yet more studies, analyses, recommendations and "guidance"! But overseas, where the industry needs and wants the support of our Government so that we can better penetrate and service the growing international tourism markets, the Administration suggests that the International Trade Administration will "begin planning a more active overseas development program with Foreign Commercial Service support". Please notice they say Begin planning. The remaining USTS professionals would of course, also become part of ITA.

I ask you Mr. Chairman to challenge the Administration to produce a single individual active in the travel industry, indeed anyone person or company active in international trade or commerce, who would concur with the Administration's proposals.

It appears to me that the "new high priority" the Administration professes to accord to the travel industry, is a high priority to dismantle the very machinery which has consistently produced such excellent results and to substitute it with a new bureaucratic monstrosity this industry does not wish to be part of.

In conclusion Mr. Chairman, I urge this committee to authorize a continuation of the United States Travel Service but at a 40% higher budget to allow for inflation and dollar shrinkage in the market places over the past 2 years. In so doing, you

would give a signal to our friends abroad that the United States is in this business to stay and indeed welcomes travellers from abroad. It would also give reassurances to USTS's highly qualified US and foreign field staff who have been systematically demoralized over the past few years; and finally it would reassure the domestic tourism industry that the US will remain active in international tourism and help produce more income and livelihoods for a very large segment of our industry.

I will be pleased to answer any of the questions you may have.

Senator INOUE. Our final witness is the chairman of the International Affairs Committee of the National Restaurant Association, Mr. Karl Ratzsch.

STATEMENT OF KARL RATZSCH, JR., CHAIRMAN, INTERNATIONAL AFFAIRS COMMITTEE, NATIONAL RESTAURANT ASSOCIATION; ACCOMPANIED BY SHEILA BAMBERGER, LEGISLATIVE REPRESENTATIVE; AND BETTY HOYT, RESEARCH ASSOCIATE

Mr. RATZSCH. Mr. Chairman, members of the subcommittee, I am Karl Ratzsch, Chairman International Affairs Committee of the National Restaurant Association and president of Karl Ratzsch, Inc., operating two restaurants in Milwaukee, Wisconsin. I am accompanied by Sheila Bamberger, legislative representative and Betty Hoyt, research associate of the National Restaurant Association.

I am pleased to be here today to testify on the travel and tourism issue for the food service industry. This industry not only provides a service to travelers everywhere, it also adds to their enjoyment and pleasure. Almost every traveler carries a well-worn tour book or Mobil Guide that gives descriptions and directions to a variety of restaurants in unfamiliar territory. In fact, where you eat, the atmosphere and type of meal are often major topics of conversation when you are on the road.

I would like to have my full statement made a part of the record.

Senator INOUE. Without objection, so ordered.

Mr. RATZSCH. Thank you.

Many restaurant jobs are filled by youth and minorities. The National Restaurant Association, with the backing of the tourism industry strongly supports the concepts contained in S. 1097 unanimously passed by the Senate last year.

Several technical adjustments to S. 1097 are being sought as S. 1097 moves through the House.

One, the inclusion of the term "foodservice" in the list of those groups suggested for representation on the board of directors of the United States Travel and Tourism Development Corporation.

Two, provision for advisory groups to the USTTDC made up of all types and sizes of businesses and interests serving travelers, to be coordinated by state travel groups.

At a time when the balance of trade and domestic indicators are becoming ever more critical, promotion of international tourism provides a means of helping reversing this.

International tourism not only brings in sorely needed foreign exchange, but it is a renewable resource generating taxes for all levels of government and jobs for youth and minorities, those areas where unemployment is most critical.

Compared to eight other major tourism countries studied, the United States has the lowest per capita expenditure, six cents, for a national tourist organization.

We spend only .1 percent of international travel revenues on promotion, substantially lower than others. The NRA and its members are even more convinced that the travel and tourism industry must have an identifiable government entity or a quasi-public corporation to represent its interests at the national level. The introduction of S. 2248 is a necessary option in order to maintain the United States Travel Service funding and activities at 1980 levels until S. 1097 is enacted.

We commend your prompt action and urge approval of S. 2248 so it may be in place as an alternative to S. 1097 for 1981.

In conclusion, the foodservice industry has shown real growth of 3 percent. The problems of higher energy costs, reduced supplies have ramifications for the foodservice industry that may cause a serious reduction in our growth rates.

Though international travel is but a small portion of our total revenue, this increment to our sales will be of increasing, if not paramount importance. The NRA supports your subcommittee's continuing efforts on behalf of the United States' fourth largest export industry, foreign travel and tourism, to help enact S. 1097 and approval for S. 2248 as a stopgap measure for fiscal year 1981.

Thank you.

Senator INOUE. Am I to assume from your statement you do not favor another study to determine whether the quasi-public corporation is feasible?

Mr. RATZSCH. It seems to me the study has already been done. I don't think we need another study. I am sure I speak for the industry.

Senator INOUE. I gather that you would not wish to reduce our activity abroad?

Mr. RATZSCH. I think it is mandatory we increase our activity abroad to bring people into this country.

Senator INOUE. Well, it's very difficult to ask questions of you because we agree with each other.

Mr. RATZSCH. Thank you. I am delighted, Senator.

Senator INOUE. I was hoping you would disagree with me so we could have a meaningful exchange.

Having said that, sir, I appreciate your traveling all the way from Milwaukee. We appreciate your presence here and your wisdom, sir.

Thank you very much.

[The statement follows:]

STATEMENT OF KARL RATZSCH, JR., CHAIRMAN, INTERNATIONAL AFFAIRS
COMMITTEE, NATIONAL RESTAURANT ASSOCIATION

Introduction

Chairman Inouye, members of the subcommittee, ladies and gentlemen, I am Karl Ratzsch, Chairman, International Affairs Committee, National Restaurant Association and President of Karl Ratzsch, Inc., a restaurant group in Milwaukee, Wisconsin.

I am pleased to be here today to testify on the travel and tourism issue for the foodservice industry. This industry not only provides a service to travelers everywhere. It also adds to their enjoyment and pleasure. Almost every traveler carries a well worn tour book or Mobil Guide that gives descriptions and directions to a

variety of restaurants in unfamiliar territory. In fact where you eat, the atmosphere and type of meal are often major topics of conversation when you are on the road.

Size and scope of the foodservice industry

Before describing the portion of the foodservice industry involved in travel related business, I first want to outline the scope of the industry as a whole. As you know, food is either served at home or away from home. I am talking about that which is served outside the household.

In 1979 this amounted to an estimated 40 percent of the food dollar (this does not mean volume of food);

By 1990 the amount of the food dollar spent outside the household is expected to rise to 50 percent;

In 1979 total dollar sales for the FSI was \$102.8 billion, or 4.6 percent of the GNP.

In 1979 FSI sales were made through 567,000 foodservice establishments;

Of these, 396,000 are commercial establishments (as opposed to institutional, military, hospital, schools, etc.);

In 1979, jobs provided in foodservice operations were estimated at around eight million.

FSI share of the travel dollar (1977)

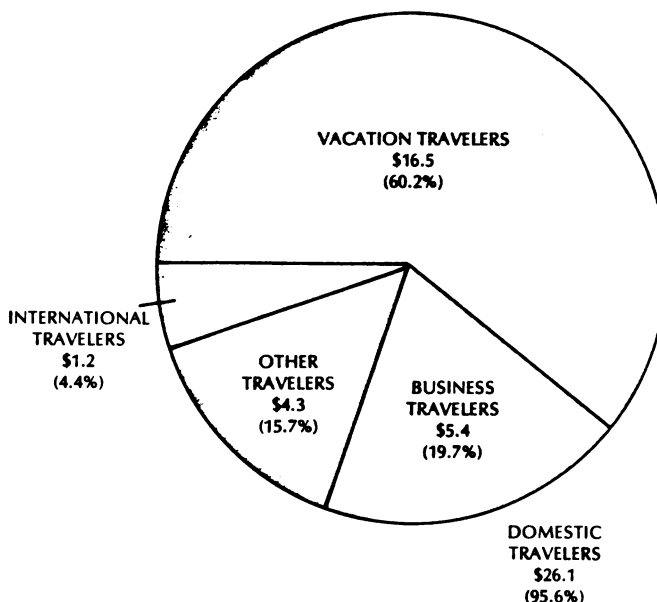
Attached to this statement is a more detailed economic report on the 1977 FSI share of travel expenditures as appeared in NRA's Foodservice Trends, October 1979. Highlights include:

In 1977 total FSI sales were \$85.4 billion;

Travel food expenditures¹ in 1977 for domestic and international travelers were \$27.3 billion, with approximately 90 percent of this being spent in restaurants. The 90 percent translates into 28 percent of FSI 1977 sales.²

The graph below indicates 1977 percentage expenditures on food among different types of travelers;

TOTAL TRAVEL FOOD EXPENDITURES, 1977: \$27.3 Billion



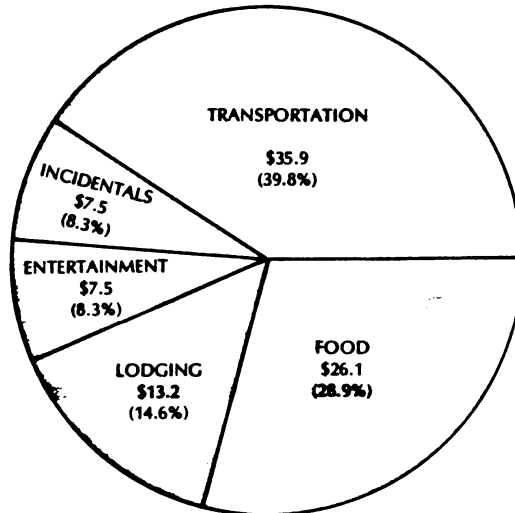
In 1977 international travelers spent \$1.2 billion on food; or 4.4 percent;

¹ Traveler food purchases include foods bought in grocery stores, probably less than 10 percent of the total.

² Data has been obtained from U.S. Travel Data Center, government and NRA records.

In 1977 total domestic travel expenditures were \$90.2 billion;
The graph below shows that the foodservice industry was the second largest sector in terms of 1977 sales at \$26.1 billion (minus international travel), or 28.9 percent;

DOMESTIC TRAVEL EXPENDITURES, 1977, \$90.2 Billion



The 1977 FSI travel dollar sales percentage can be roughly translated into more than a million jobs,^{*} many of which are part-time openings, often for young people and include many minorities.

NRA positions on travel and tourism legislation

NRA supports the concept of a strong and separate entity at the national level to represent the travel and tourism industry. Travel, both domestic and international, is a growing factor in national economic life and could become the nation's largest industry by the year 2000. Promotion of international travel to the U.S. is more critical today than any time in U.S. history. It brings in foreign dollars and is an increasingly important factor in improving our balance of payments. Not only is it a renewable resource but it generates taxes for all levels of government with minimal demand for service. And tourism is one area where productivity can be increased. The country cannot afford a lapse in promotion and none should be tolerated!

When weekend closings of gasoline stations were proposed as a standby energy conservation plan in March of 1979, the foodservice industry, along with all other travel and tourism groups, recognized there was a fundamental misunderstanding of the economic role of travel and tourism in the economy and that there was a pressing need to protect the enterprises, jobs and even entire communities from discriminatory government programs. We raised our voices and that standby plan did not reach either the House or Senate Floors. In fact that specific approach is prohibited, thanks to this subcommittee's prompt response and Senator Bradley's amendment to the Emergency Energy Conservation Act (EECA) of 1979, Public Law 96-102.

Support for S. 1097

The National Restaurant Association supports the concepts contained in S. 1097, which the Senate unanimously passed last year with the backing of a unified tourism industry. It includes:

- (1) A national tourism policy;
- (2) An interagency coordinating council based in the White House; and,
- (3) A national entity to represent travel and tourism interests.

^{*} Estimate based on volume of sales per employee.

Several technical adjustments to S. 1097 are being sought as S. 1097 moves through the House.

1. Inclusion of the term foodservice in the list of those groups suggested for representation on the Board of Directors of the U.S. Travel and Tourism Development Corporation (USTTDC) (FSI represented 28.9% of the 1977 domestic travel dollar);

2. Provision for advisory groups to the USTTDC made up of all sizes and types of businesses and interests serving travelers, to be coordinated by state travel groups;

The restaurant industry recognizes the extensive and excellent work carried out by this subcommittee and the effort put forth to obtain unanimous approval of S. 1097 on the Senate Floor. NRA is working with other groups to gain enactment of this measure in 1980.

Support for S. 2248

The National Restaurant Association and its members remain convinced that the travel and tourism industry should have an identifiable government entity or quasi-public corporation to represent its interests at the national level. January 30 the U.S. Secretary of Commerce outlined plans to reorganize USTS into the International Trade Administration of the Commerce Department. The FY 1981 budget details OMB's redirection of funds to carry out this submersion. NRA opposes this precipitous action before another structure is developed to give voice to the travel sector. The introduction of S. 2248 is a necessary step in order to maintain USTS activities and funding at 1980 levels until S. 1097 is enacted. We commend your prompt action and urge approval of this measure to have it in place as an alternative for 1981.

Projections of international travel dollar expenditures in the United States

The FSI—made up of hundreds of thousands of individual business enterprises—is interested in seeing its sales increase, so that earnings rise, jobs are provided, communities thrive, taxes are paid for necessary government projects and inflationary pressures are decreased.

In 1977 international visitors to the United States spent an estimated \$1.2 billion on food while traveling. In 1979 USTS estimated that 21 million foreigners would visit and spend a total of \$10.1 billion. Of this \$10.1 billion, \$8.7 billion would be spent on lodging, food, entertainment and domestic transportation within the United States; \$1.4 billion would be spent on international travel fares. Based on this information plus the proportion of the domestic travel dollars spent on food and lodging, NRA estimates that international travelers to the U.S. in 1979 will have spent \$1.8 billion on food, up 50 percent from 1977's \$1.2 billion.

We think that appropriate promotion of international travel will increase U.S. business sales, open jobs, improve our balance of trade. USTS efforts over the past few years at low funding levels have helped maintain U.S. earnings, but the Arthur D. Little, Inc. study carried out by this committee in 1977 shows high spending/earning ratios by other countries and high per capita expenditures. The FSI does not think that this country should rely on the decline of the dollar vis à vis other currencies as a means of promoting travel, although we recognize it will help. This is the time to set up appropriate promotion programs throughout the world that will continue to compete for the international travel dollar, peso, yen, mark no matter their relative value. The domestic industry needs a stable program not one that depends on the relativities of the international money supply.

A quick look at spending levels in other countries tells the story.

Reproduced below is some of the relevant data from NRA and also from ADL's study comparing eight foreign government tourism programs. To follow our lines of reasoning I need only mention a few of the highlights:

Direct expenditures for tourism service by all travelers in 1976 are an important part of GNP of all countries surveyed from 1.3 percent in Japan to 8.3 percent in Hong Kong; for the United States it was 5.7 percent;

U.S. Tourism, domestic and international, is one of the top three industries in most of the 50 states and accounted for \$115 billion in sales in 1977;

International tourism ranks fourth among U.S. exports of goods (behind machinery, transport, grain and cereal products);

In 1977 U.S. foreign tourism receipts supported some 270,000 jobs and contributed \$935 million in Federal, State and local taxes;

For every foreign dollar spent in the United States, there is a \$3.30 contribution to the U.S. economy (multiplier effect);

However, international tourism revenues alone were less than one-half of one percent of the GNP in the United States and Japan, while the percentage ranged from 4.2 percent in Ireland to 8.3 percent for Hong Kong;

Except for Hong Kong, the United States proposed appropriation for USTS for fiscal year 1981 of \$8 million is lower than 1976 levels for the eight countries surveyed.

The United States has the lowest per capita expenditure for a national tourist organization (\$.06) of any of the eight countries.

Expenditures per capita on promotional activities were significantly lower in the United States than in seven of the eight countries;

In addition, U.S. Government's international promotion expenditures as a percentage of international visitor revenues, at 0.1 percent, were significantly lower than all other countries.

TABLE 7.—COMPARISON OF NATIONAL TOURIST ORGANIZATIONS OF THE 8 FOREIGN GOVERNMENTS SURVEYED

Country and number and name(s) of principal national tourist organizations (NTO)	Form of principal NTO(s)	NTO(s) staff and budget, 1977
Canada (1): Canadian Government; Office of Tourism.	Government agency	\$24.6 million; 322 staff.
Mexico (2):		
State Secretariat for Tourism	Government department	\$16 million; 250-300 staff.
National Tourism Council	Government agency	\$16 million, staffing not reported.
United Kingdom (4):		
British Tourist Authority	Quasi-public, government-funded enterprise	\$16.3 billion, ¹ slightly under 500 staff.
Tourist Boards for England, Scotland, Wales.	do	\$8.1 million, ² about 175 staff (for English Tourist Board alone).
Ireland (1): Irish Tourist Board	Quasi-public, government-funded enterprise	\$22.1 million; 350 staff.
France (1): State Secretariat for Tourism ..	Government department	Not disclosed.
Spain (1): State Secretariat for Tourism ..	do	\$25 million, ³ staffing not reported.
Hong Kong (1): Hong Kong Tourist Association.	Quasi-public government-funded enterprise ..	\$6.5 million; 152 staff.
Japan (3):		
Department of Tourism	Government agency	\$1.2 million; 46 staff.
Japan National Tourist organization	Quasi-public government-funded enterprise ..	\$6.6 million; 135 staff.
Japan Tourist Association	Private industry association indirectly supported by government funding.	\$1.2 million, ¹ staffing not reported.

¹ 1975 budget.

² 1976 budget.

³ Arthur D. Little estimate of 1975 budget; the 1975 budget for the Ministry of Information and Tourism contained appropriations for other government information and communications activities as well.

Sources: Arthur D. Little, Inc.

The statistics above, which are based on 1975-77 figures, if tallied for 1979 would show an even lower U.S. funding for promotion of international travel. It is easy to see that the United States is missing an opportunity to augment tourism business and to increase foreign earnings. Its value as an exportable commodity to this country is immense in that promotion programs are a renewable resource. There is no expending of finite national resources or technical expertise and the dollar returned benefits our trade deficit (The deficit for January 1980 was \$4.8 billion) (The 1978 travel deficit alone was \$3 billion; or \$8.5 billion in receipts to \$11.4 billion in expenditures).

Instead of erecting trade barriers, as some industries are doing, or trying to place import controls on needed commodities, the United States should support efforts to create overseas business that will turn around the trade deficit. Moderate investments can gain a significant return and eight million dollars for a more than 10 to one return could be a good beginning. Earnings in our trade account probably could be substantially increased with a doubling of expenditures. The market potential is there and the NRA supports S. 1097 with adjustments to start up a new international promotional program. S. 2248 as an alternative for fiscal year 1981 if S. 1097 is not enacted also is strongly endorsed.

Thank you for the opportunity to discuss the issues.

Senator INOUE. With that, the committee will stand in recess and the record will be kept open for another week to receive testimony.

[Whereupon, at 12:55 p.m., the hearing was adjourned.]

ADDITIONAL ARTICLES, LETTERS, AND STATEMENTS

KNOTT'S BERRY FARM,
Buena Park, Calif., February 1, 1980.

Senator DANIEL K. INOUE,
Senate Office Building, Washington, D.C.

DEAR SENATOR INOUE: I was shocked to read today that the President wants to dismantle the U.S. Travel Service. I believe this to be against the best interest of our country.

Last November I was involved in a campaign in Japan to obtain tourism from that country to the U.S. The USTS coordinated our campaign, opened doors for us and assisted us in obtaining tremendous TV coverage and print publicity throughout Japan. Through TV alone we reached 44.8 million persons with our message.

The USTS in Japan is headed by a gentleman of enormous personality, power of persuasion and integrity, Mr. Fritz Schmitz. His staff, Mr. Tom Quinn and Ms. Sandra Gamo, almost equal him in those areas. Any commercial corporation would be fortunate if they had employees of their caliber. I cannot speak too highly of the way these people represent the best interests of America amid a complicated and very different culture. They are obviously highly respected among the Japanese and totally competent.

These are strong words, but come from the heart. I never heard of Messrs. Schmitz, Quinn and Ms. Gamo before this event, so my opinion is based not upon any special relationship, but upon working with them.

I have just returned from conducting a campaign in London where I found USTS equally available.

It seems short sighted to cut out such an eminent professional service just at the time it would be able to achieve the best results. Because of a weak dollar, a vacation in the USA is a bigger bargain today than ever before. USTS could be our best tool in getting foreigners here to spend their money.

USTS needs and deserves your support, Senator, and as a neutral outsider who has observed them from close quarters and benefitted from their assistance, I urgently suggest you raise your voice to keep this effective service afloat.

Sincerely,

JAMES W. HARDIMAN,
Public Relations Manager.

UTAH TRAVEL COUNCIL,
Salt Lake City, Utah, February 14, 1980.

Senator HOWARD W. CANNON,
Senate Office Building, Washington, D.C.

DEAR SENATOR CANNON: The Utah Travel Council strongly supports S. 2248 which would authorize the United States Travel Service to operate at the same staff and funding levels in fiscal year 1981, that it did in fiscal year 1980.

We would appreciate every consideration in providing for funding for USTS international operations and the research functions of the Washington office, particularly in view of pending legislation establishing the National Tourism Policy Act.

Sincerely,

ALTON V. FRAZIER, *Director.*

HAWAII VISITORS BUREAU,
Honolulu, Hawaii, February 22, 1980.

Senator DANIEL K. INOUE,
Chairman, Subcommittee on Merchant Marine and Tourism, Senate Commerce Committee, Richard Russell Building, Washington, D.C.

DEAR DAN: As president of an organization which has depended upon and worked closely with the United States Travel Services' overseas offices, I regret that, due to a prior commitment, I am unable to join with the Travel and Tourism Industry

Advisory Council and personally offer the testimony of the Hawaii Visitors Bureau but request that it be made a part of the record. We strongly and wholeheartedly support the continuance of the USTS, its offices and programs, and as such the Hawaii Visitors Bureau fully supports Mr. William B. Walton's testimony in reference to S. 1097 and S. 2248.

For many years the Hawaii Visitors Bureau has worked closely with the Tokyo, Japan offices of USTS to develop the Japan market. The number of Japanese visitors to Hawaii has increased from 180,000 in 1971, to an estimated 580,000 in 1979. Spending by these visitors to Hawaii in 1971 was \$99,000,000 and during 1979 is estimated to be \$500,000,000. Certainly this is a significant contribution to the U.S. balance of trade. What has been accomplished in developing this market was certainly facilitated and came about more rapidly due to the United States Travel Service office in Tokyo.

The USTS office in Toronto, Canada has also been of assistance to us in the development of that market. At the present time we are working with USTS offices in Europe to increase the travel of that market to Hawaii. Our programs in working with tour operators, travel agents and travel writers are only able to be carried out with the full cooperation, advice and assistance of the USTS overseas offices. We work directly and closely with them, since being in the field, they know and are known by the key industry personnel.

The field offices are experts in the field of travel whom we find are well respected by the travel professionals in the countries in which they operate. It is this close relationship of professional to professional which has materially contributed to Hawaii's success in promoting travel to the United States. We have been told numerous times by foreign nationals that there is no substitute for direct representation in their respective countries. Although we have our own office in Tokyo, this does not mean that we do not work with the USTS office there. Quite the contrary is true. There is an even closer relationship and cooperation towards a mutual goal—that of increasing travel by Japanese to Hawaii and the United States.

We are of the opinion that a move to reduce the overseas offices of the United States Travel Service is a giant step backwards in the movement to increase our balance of trade. We urge that such a shift of emphasis not take place. The amount of funding provided these offices is inadequate at present and to further reduce it would be unconscionable.

Sincerely,

JOHN G. SIMPSON, *President.*

CONVENTION AND VISITORS BUREAU,
Hartford, Conn., March 24, 1980.

Hon. DANIEL K. INOUE,
U.S. Senate, Russell Senate Office Building, Washington, D.C.

DEAR SENATOR INOUE: I am writing to voice my support for Senate Bill 2248 which would authorize the United States Travel Service (USTS) to operate at the same staff and funding levels in fiscal year 1981 that it did in fiscal year 1980.

At a time when the prospects for drawing foreign visitors to the United States are at its peak, it is important that we retain every bit of marketing and sales power available to us to take advantage of an opportunity which has never before confronted this nation in the area of tourism.

Favorable action on S. 2248 will not only have a favorable impact on the United States hospitality industry, but will also benefit the United States' balance of payment.

We urge favorable action on this bill. Thank you for your consideration.

Cordially,

WILLIAM C. PEEPER, *President.*

SAN DIEGO CONVENTION AND VISITORS BUREAU,
San Diego, Calif., April 2, 1980.

Hon. HOWARD W. CANNON,
U.S. Senator, Russell Senate Office Building, Washington, D.C.

DEAR SENATOR CANNON: The San Diego Convention and Visitors Bureau, as the official representative of the tourism industry of San Diego County strongly supports Senate Bill 2248 and urges its prompt passage.

While we feel that enactment of the National Tourism Policy Act is long overdue, S. 2248 is vitally needed as a stopgap to enable the U.S. Travel Service to continue essential tourism promotion work overseas.

It would indeed be tragic if our nation were to lose the hard-won gains it has made in the international travel market, especially at this time when monetary conditions make it possible for us to gain a real breakthrough in bringing foreign visitors here.

As in any business, in travel it is very hard to regain lost marketing momentum. We also consider the proposal to close overseas offices and to reassign tourism promotion responsibilities to the Department of Commerce commercial officers abroad to be ill-conceived and misguided.

We sincerely hope you will reject these efforts and expedite passage of S. 2248.
Sincerely,

FRANK D. NICOL, *President.*

STATEMENT OF THE AMERICAN SOCIETY OF TRAVEL AGENTS

Mr. Chairman, the American Society of Travel Agents applauds your devoted efforts on behalf of the tourism industry and lends its strong support for S. 2248, a bill which would authorize the United States Travel Service (USTS) to operate at the same staff and funding levels in fiscal year 1981 as in fiscal year 1980.

The American Society of Travel Agents (ASTA) is the world's largest professional travel trade organization. The Society is comprised of more than 16,000 members from over 120 countries representing all facets of the travel and tourism industry. In the United States alone, ASTA members arrange the travel plans of over 40 million American consumers annually, representing an expenditure of approximately \$12 billion in business and pleasure travel sales.

Tourism is perhaps the greatest untapped resource in the United States. The revenue generated from it creates an estimated 5 million jobs for U.S. citizens, contributes about \$115 billion annually to the U.S. economy, and assists in connecting the balance of payments deficit. And today, the United States Travel Service is the only government agency actively engaged in promoting international travel to the United States.

As a result of USTS' efforts in 1978, 19.8 million foreign visitors came to the U.S. spending \$7.3 billion, excluding transportation costs. USTS estimates that the number of international visitors reached the 21 million mark in 1979, a 6 percent increase over the 1978 volume, with total receipts from international visitors increasing 19 percent over 1978 to \$8.73 billion. And ASTA is certain that these figures will continue to rise in the coming year.

While all these figures appear to be large, Mr. Chairman, you are well aware that they are a small percentage of the total amount of money spent throughout the world on international tourism. In 1979, people throughout the world spent \$504 billion on travel. Of this amount, little more than 5 percent was spent on international travel to the United States—a pitifully small figure when one considers this nation's capacity to service travelers, its attractions, and its share of the market in other major categories.

The primary competition for international travelers and the resulting foreign exchange earnings is among governments—ASTA feels the United States must compete. One hundred and twenty other countries are aggressively promoting their countries' as an international tourism destination through their national offices located throughout the world. Our close neighbors and allies all have national tourism offices which their governments strongly support.

Canada is a good example. The Canadian Government Office of Tourism has 14 locations in the United States, and employs over 322 people. A major portion of their efforts is directed towards helping the U.S. travel agent with advertising, publicity, and assistance programs. For further impact this year, they wrote three million Americans personally addressed letters telling them to see their travel agent about a vacation in Canada.

The consortium concept was launched in Canada in 1975 to coordinate the efforts of federal and provincial governments, territories, carriers, wholesalers, and others in giving Canadian tourism a greater impact—on the agent. In 1977, seminars—from breakfast meetings to full marketplaces—were held in 170 American and Canadian cities, and 20 cities in Europe. They were attended by 10,000 travel agents. One hundred and three of the seminars were held in the United States alone, and similar efforts were launched in most of the OECD countries. The results have been fantastic. Meanwhile, our Government's tourism effort in Canada consists of one United States Travel Service office in Toronto, with a staff of four.

If the U.S. government would recognize the potential of tourism and accept its proper role in marketing the United States as a destination, ASTA is confident that

our international tourism receipts could be doubled in the near future, with substantial benefits to our economy and commerce.

But rather than expand our limited promotional efforts abroad, the Administration is proposing to substantially reduce the USTS budget and staff overseas and transfer many of the functions to the International Trade Administration.

Mr. Chairman, your Committee and the travel industry has spent several years thoroughly studying our nation's tourism policy. As a result of this lengthy evaluation, the Commerce, Science and Transportation Committee endorsed a bill, S. 1097, which was unanimously passed in the Senate and at present awaits consideration in the House. This legislation would create a quasi-government corporation to carry out the national tourism policy and it has the support of ASTA and the entire travel industry. However, the Administration's proposal to entirely restructure the USTS disregards the sentiment of the Senate and the travel industry. As I know you concur, Mr. Chairman, this is disheartening.

Mr. Chairman, ASTA opposes the Administration's proposal and would like to see the USTS continue to operate as it has in the past until pending legislation is enacted recognizing an effective and responsive Federal commitment to tourism. ASTA strongly supports S. 2248 and would like to thank the Chairman, and Subcommittee members for the opportunity to express our views.

○

DEPOSIT

JUN 02 1980

SHIPPED

Y 4.C 737:96-86
Amend the Internationa

C.1

Stanford University Libraries



3 6105 045 205 791

DATE DUE

STANFORD UNIVERSITY LIBRARIES
STANFORD, CALIFORNIA 94305-6004

Y 4.C 73/7:96-86

C.1

Amend the Internationa

Stanford University Libraries



3 6105 045 205 791

DATE DUE

STANFORD UNIVERSITY LIBRARIES
STANFORD, CALIFORNIA 94305-6004

